

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

**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2008**

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

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**AGENCY OFFICIALS**

Director	Barry S. Maram
Assistant Director	Sharron Matthews
Deputy Directors	
Community Outreach	Peter F. Viña
Administrative Operations	Charles A. Jackson
Human Resources	Kevin Connor (7/1/07 – 8/22/07)
Human Resources	Richard Foxman (12/10/07 – Current)
Policy	Krista Donahue (7/1/07 – 5/15/08)
Policy	Laura Zaremba (5/16/08 – Current)
New Initiatives	Krista Donahue (5/16/08 – Current)
General Counsel	Kyong Lee (Acting)
Inspector General	John C. Allen
State Purchasing Officer	Thomas Meirink (7/1/07 – 6/25/08)
State Purchasing Officer	Tom Sestak (Acting) (6/26/08 – Current)
Chief Operating Officer	Tamara Hoffman
Administrators	
Division of Child Support Enforcement	Pamela Lowry
Division of Finance	Michael Moss
Division of Medical Programs	Theresa Eagleson
Chiefs	
Office of Legislative Affairs	Bresha Brewer (7/1/07 – 7/13/07)
Office of Legislative Affairs	Emily Coultas (7/18/07 – Current)
Office of Fiscal Management	Jack Dodds
Office of Planning	Laura Zaremba (7/1/07 – 5/15/08)
Office of Healthcare Purchasing	Alan Biggerstaff (Acting) (7/1/07 - 7/2/08)
Office of Information Services	Ivan Handler

Department of Healthcare and Family Services offices are located at:

201 South Grand Avenue East  
Springfield, IL 62763

2200 Churchill Road  
Springfield, IL 62702

201 South Grand Avenue East  
Springfield, Illinois 62763-0002

Telephone: (217) 782-1200  
TTY: (800) 526-5812

June 26, 2009

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

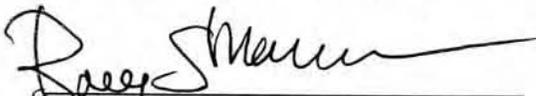
Ladies and Gentlemen:

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, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, the Agency has materially complied with the assertions below.

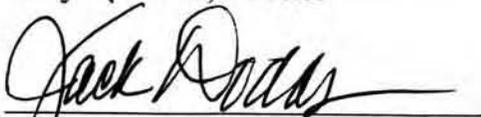
- A. The agency has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency has obligated, expended, received, and used public funds of the State in accordance with any 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,

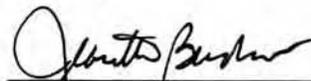
Healthcare and Family Services



Barry S. Maram, Director



Jack Dodds, Chief Fiscal Officer



Jeanette Badrov, General Counsel

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

**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.

**ACCOUNTANTS' 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>
Findings	17	15
Repeated findings	8	5
Prior recommendations implemented or not repeated	7	5

Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Details of *Government Auditing Standards* and State Compliance findings are presented in a separately tabbed report section.

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	
FINDINGS ( <i>GOVERNMENT AUDITING STANDARDS</i> )			
08-1	13	Financial statement preparation	Material Weakness Noncompliance
08-2	15	Third party internal control reviews not obtained	Significant Deficiency
08-3	18	Incomplete and inaccurate census data	Significant Deficiency
08-4	20	No controls over Community College Health Insurance Security Fund contributions	Significant Deficiency

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FINDINGS (*GOVERNMENT AUDITING STANDARDS*) CONTINUED

08-5	23	Inappropriate use of appropriation authority	Significant Deficiency
08-6	25	Insufficient controls over the University of Illinois Hospital Services Fund	Significant Deficiency
08-7	28	Incorrect health insurance premium rates charged	Significant Deficiency

FINDINGS (STATE COMPLIANCE)

08-8	31	Hospital improvement access payments not paid timely	Material Weakness Material Noncompliance
08-9	33	Voucher processing weaknesses	Significant Deficiency Noncompliance
08-10	34	Grants not approved or refunds received timely	Significant Deficiency Noncompliance
08-11	36	Inadequate controls over personal services	Significant Deficiency Noncompliance
08-12	39	Failure to comply with interagency agreements	Significant Deficiency Noncompliance
08-13	41	University of Illinois Hospital not notified of revised rates	Significant Deficiency Noncompliance
08-14	43	Untimely Medicaid annual report	Significant Deficiency Noncompliance
08-15	44	Failure to comply with the provisions of the Alternative Healthcare Delivery Act	Significant Deficiency Noncompliance
08-16	46	Noncompliance with the Illinois Latino Family Commission Act	Significant Deficiency Noncompliance
08-17	47	Failure to create a health care advocates committee	Significant Deficiency Noncompliance

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For the Year Ended June 30, 2008

In addition, the following findings which are reported as current findings related to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

08-1	13	Financial statement preparation	Material Weakness Material Noncompliance
08-2	15	Third party internal control reviews not obtained	Significant Deficiency Noncompliance
08-3	18	Incomplete and inaccurate census data	Significant Deficiency Noncompliance
08-4	20	No controls over Community College Health Insurance Security Fund contributions	Significant Deficiency Noncompliance
08-5	23	Inappropriate use of appropriation authority	Material Weakness Material Noncompliance
08-6	25	Insufficient controls over the University of Illinois Hospital Services Fund	Significant Deficiency Noncompliance
08-7	28	Incorrect health insurance premium rates charged	Significant Deficiency Noncompliance

**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**

A	48	Terms of Cook County intergovernmental agreement not complied with
B	48	Payments for Information Technology services without supporting documentation
C	48	Interest not paid on intercepted State income tax refunds
D	49	Lack of adequate written internal policies and procedures
E	49	Failure to receive or review external A-133 grantee audits in a timely manner
F	49	Inadequate supporting documentation
G	50	Inadequate controls over travel expenditures

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

**EXIT CONFERENCE**

The financial audit and compliance examination findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on May 22, 2009. Attending were:

Department of Healthcare and Family Services

Jack Dodds, Chief Financial Officer  
Michael Moss, Finance Administrator  
Travis March, Bureau Chief, BFO  
Elvin Lay, Bureau Chief, BFO  
Gary Casper, Fiscal Manager  
Kathryn Hanlon, Fiscal Manager  
Tom Fitzgerald, Manager – Receipts, BFO  
Charlie Koonce, Budget/Data Reliability, DCSE  
Dennis Erickson, Program Compliance, DCSE  
Marie VonDeBur, Manager, Program Reimbursement Analysis  
Jeanette Badrov, General Counsel  
Teresa Flesch, OHP Audit Coordinator  
Colm Brewer, OHP Budget  
Greg Wilson, Bureau of Program Reimbursement Analysis  
Susan Moorehead, Office of General Counsel  
Peggy Edwards, External Audit Liaison

Office of the Auditor General

Teresa Davis, Audit Manager  
Paula Sorensen, Audit Supervisor  
Elena Bryjka, Auditor  
Sara Heinecke, Auditor  
Tad Huskey, Auditor

Responses to the recommendations were provided by Peggy Edwards, Audit Liaison for the Department, on June 1, 2009.

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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, 2008. 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. 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.

We conducted our examination 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 listed in the first paragraph of this report 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.

As described in findings 08-1 and 08-8 in the accompanying schedule of findings, the State of Illinois, Department of Healthcare and Family Services did not comply with requirements regarding:

- 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.

As described in finding 08-5 in the accompanying schedule of findings, the State of Illinois, Department of Healthcare and Family Services did not comply with requirements regarding:

- 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.

Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Department of Healthcare and Family Services to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Department of Healthcare and Family Services complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008. However, the results of our procedures disclosed other instances of noncompliance, 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 findings as findings 08-2, 08-3, 08-4, 08-6, 08-7, 08-9, 08-10, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16, and 08-17. 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 listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Department of Healthcare and Family Services' internal control over compliance with the requirements listed in the first paragraph of this report 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, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as findings 08-1, 08-2, 08-3, 08-4, 08-5, 08-6, 08-7, 08-8, 08-9, 08-10, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16 and 08-17 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider items 08-1, 08-5, and 08-8 to be material weaknesses.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The State of Illinois, Department of Healthcare and Family Services' response to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Healthcare and Family Services' response and, accordingly, we express no opinion on it.

## Supplementary Information for State Compliance Purposes

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, 2008, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements, and have issued our report thereon dated June 26, 2009. 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 2008 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, 2008 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the State of Illinois, Department of Healthcare and Family Services' basic financial statements for the year ended June 30, 2007. In our report dated June 12, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2007 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, 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

June 26, 2009

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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, 2008, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements, and have issued our report thereon dated June 26, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process,

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or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting as items 08-1, 08-2, 08-3, 08-4, 08-5, 08-6 and 08-7.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-1 to be a material weakness.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 08-1.

The State of Illinois, Department of Healthcare and Family Services' response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the State of Illinois, Department of Healthcare and Family Services' response and, accordingly, we express no opinion on it.

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

June 26, 2009

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2008

08-1. **FINDING** (Financial statement preparation)

The Illinois Department of Healthcare and Family Services (Department) did not have adequate controls in place to ensure timely financial information was available for the preparation of the Department's financial statements.

During the preparation of the Department's fiscal year 2008 financial statements, the Department identified an adjustment that should have been made to the fiscal year 2006 and 2007 financial statements.

The Department did not perform timely reconciliations of actual costs incurred to vendor payments for the Medicare Part D wrap around benefit program. Reconciliations for 2006 and 2007 were not performed until 2008.

After performing the annual reconciliation for fiscal year 2006 and 2007, the Department determined that they overpaid the vendors for monthly Per Member Per Month premiums totaling \$78,911,000 during fiscal year 2006 and 2007. As a result, the Department restated the fiscal year 2008 beginning fund balance of the General Fund with an increase of \$30,824,000 and the Other Nonmajor Governmental Funds with an increase of \$48,087,000. This restatement also increased the Governmental Activities fiscal year 2008 beginning net asset balance by \$78,911,000.

These overpayments should have been reflected in the Department's financial statements in fiscal year 2006 and 2007 as a receivable and a reduction of expenditures. Since these overpayments were not recognized in the correct accounting period, the Department restated fiscal year 2008 beginning balances as follows:

<u>Reporting Unit</u>	<u>June 30, 2007</u> as previously stated	<u>Adjustment</u>	<u>July 1, 2008</u> as restated
Governmental			
Activities	\$(569,966,000)	\$78,911,000	\$(491,055,000)
General Fund	\$(2,277,592,000)	\$30,824,000	\$(2,246,768,000)
Other Nonmajor			
Governmental Funds	\$59,579,000	\$48,087,000	\$107,666,000

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

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The Department stated that the Prescription Drug Program is reconciled on a calendar year basis due to federal guidelines for Medicare Part D. The calendar year 2006 actual costs incurred were not reconciled prior to fiscal year 2008 due to the difference in reporting periods. This resulted in an unrecorded advance to providers for the financial reporting period ending June 30, 2007.

Failure to implement appropriate internal controls and provide timely financial information could lead to future misstatements of the State-wide and Department's financial statements. (Finding Code No. 08-1, 07-1)

**RECOMMENDATION**

We recommend the Department implement additional internal control procedures to ensure timely financial information is presented during the preparation of the Department's financial statements.

**DEPARTMENT RESPONSE**

The Department agrees with this finding. Procedures have been developed to more accurately estimate the drug liability reported in the financial statements.

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08-2. **FINDING** (Third party internal control reviews not obtained)

The Illinois Department of Healthcare and Family Services (Department) did not obtain an independent internal control review of its third parties involved with the processing of health insurance claims for the Local Government Health Plan, Teachers Retirement Insurance Program, College Insurance Program and State Employees Group Insurance Program. Without a review, the Department did not have assurance that information system controls to prevent errors or irregularities were established.

The Department contracts with six different third-party health insurance service providers to process health insurance claims. Each of the health insurance service provider uses their own computer system to process these health insurance claims. During our review of third party health insurance service providers, we noted that the Department did not obtain an independent internal control review for three of the service providers during fiscal year 2008.

Of the health insurance payments made to the six third-party health insurance service providers totaling \$1,359,026,488 in fiscal year 2008, \$297,793,899 (22%) of the health insurance payments were processed under a third-party health insurance service provider from which the Department did not obtain an independent internal control review.

Statement on Auditing Standards (AU 324.02) states that a service auditor's report on a service organization's description of its controls that may be relevant to a user organization's internal control as it relates to an audit of financial statements, on whether such controls were suitably designed to achieve specified control objectives, on whether they had been placed in operation as of a specific date, and on whether the controls that were tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related control objectives were achieved during the period specified. Statement on Auditing Standards (AU 324.06) also states when a user organization uses a service organization, transactions that affect the user organization's financial statements are subjected to controls that are, at least in part, physically and operationally separate from the user organization.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

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Good internal controls require that third party service providers arrange to have a periodic independent review of internal controls placed in operation and issue a report on the results of this review commonly known as a SAS 70 report. The SAS 70 report should be obtained from the service organizations that process critical data for the Department.

The Department stated that they negotiate long term contracts with the parties involved in processing insurance claims for the health care plans. Typical healthcare contracts have five year initial periods and up to five one-year renewal periods. The three contracts cited were initially negotiated with a five-year contract in 2001, for fiscal year 2002 implementation, without a SAS 70 requirement. The three contracts are currently in one-year renewal periods without a SAS 70 requirement. The Department previously submitted the relevant portions of the Sarbanes Oxley audit pertaining to internal controls as they relate to the audited financial statements for one of the three contracts. In addition, a 2008 Annual Report with SEC form 10-K and a Financial Statement audit were previously submitted for the remaining two contracts. The Annual Report with SEC form 10-K identified above includes the "Report of Independent Registered Public Accounting Firm." The vendor of the original contract was acquired October 1, 2007. Prior to this the vendor was a privately held corporation.

Due to the significance of the reliance placed by the Department on the procedures performed by the third party, it is critical that the Department obtains independent internal control reviews. In addition, it is essential to obtain and review an independent review of the third party service provider's information systems environment. An independent review provides a method of evaluating the systems in place at the service provider and helps the Department develop internal control processes that would complement those at the service provider. Based on the review, the Department would have additional assurance that the internal controls are appropriate to ensure the information received from the service provider is accurate and reliable. (Finding Code No. 08-2)

**RECOMMENDATION**

We recommend the Department require that each third-party health insurance service provider engage independent auditors to perform an annual independent internal control review on the controls placed in operation and the tests of their operating effectiveness.

**DEPARTMENT RESPONSE**

The Department respectfully disagrees with this finding. The majority of these contracts were originally executed prior to industry acceptance of SAS 70.

As stated previously, seventy-five percent of the expenditures were processed by vendors who had obtained an independent internal control review. Of the remaining twenty-five percent, over one third of the total was processed by a vendor with an annual report with 10-K filing and independent auditor report.

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The Fiscal Year 2010 contracts and renewals for the three vendors not submitting SAS 70 audits have already been negotiated and several have been signed by the vendors. In order to implement this requirement for those, the Department would have to renegotiate their contracts. Renegotiating those contracts at this date would jeopardize contracts beginning July 1, 2009. Negotiating an additional audit into these renewals would also increase the cost of the contract.

The Department will include a SAS 70 requirement to all future contracts bid with third parties involved with the processing of health insurance claims.

**AUDITOR'S COMMENT**

The auditors requested all third party internal control reviews from the Department and, for the three contracts noted above, the Department indicated that they relied on "equivalent" reviews for two of the contracts and they did not have a third party internal control review or equivalent review for the other contract.

With regard to one of the contracts that had an equivalent review, the Department provided the auditors with the vendor's financial statements. The auditors reviewed these financial statements and determined that the financial statements were statutory financial statements that were prepared using accounting practices prescribed or permitted by the Illinois Department of Financial and Professional Regulations. In addition, the financial statements did not give an opinion in regard to internal controls.

For the other contract, the Department did provide the auditors with what they called a Sox Report. The documentation that the Department provided was an excel spreadsheet that documented computer controls. This spreadsheet was not accompanied by any type of cover letter or auditor's report. After the auditors questioned the Sox Report, the Department contacted the vendor and the Department was informed that the Sox Report is actually part of the vendor's SAS 70 Report.

For the third contract, the Department indicated that they provided the auditors with a 2008 Annual Report with SEC Form 10-K. The Department did not have this Annual Report until the auditors asked for the SAS 70 Reports. The Department could not provide any "equivalent" reviews prior to the 2008 Annual Report.

The Department cannot state to the auditors that they are relying on these "equivalent" reports if they do not obtain them unless requested by the auditors. There is clearly no internal controls to obtain and review these reports.

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08-3. **FINDING** (Incomplete and inaccurate census data)

The Illinois Department of Healthcare and Family Services (Department) did not have adequate controls over data provided to the actuary for financial statement valuations.

For the fiscal year 2008 reporting period, the Department implemented Governmental Accounting Standards Board (GASB) Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other than Pension Plans* (GASB Statement 45). Under GASB Statement 45, all plans of state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. GASB Statement 45 also requires an actuarial valuation be performed in accordance with the parameters established in the Statement.

The Department provided incomplete and inaccurate census data to the actuary for the State Employees Group Insurance Program necessary to compute the OPEB liability for the year ended June 30, 2008. Updated information was provided to the actuary and revised calculations were made causing the annual required contribution for June 30, 2008 to increase \$33,000,000 from \$1,743,000,000 to \$1,776,000,000. This condition also caused delays in the Department's financial reporting process. In addition, the actuarial accrued liability as of July 1, 2007 decreased \$320,000,000 from \$24,210,000,000 to \$23,890,000,000.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. In addition, a good system of internal control ensures that financial statements are prepared timely to benefit users of the financial statements.

Department management stated that the initial submission did not include Toll Highway employees in the active participant data.

Failure to provide accurate census data to the actuary could result in inaccurate calculations of OPEB liabilities and misstatements in the State-wide and Department's financial statements. (Finding Code No. 08-3)

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**RECOMMENDATION**

We recommend the Department establish a consistent methodology for accumulating complete data used in preparing financial statements. The Department should also ensure the methodology facilitates the timely preparation of financial statements.

**DEPARTMENT RESPONSE**

The Department agrees with this finding. Fiscal year 2008 was the first year of implementation of GASB 45 and required working conjunctively with three retirement systems and the actuary. The core data used by the Department was extracted from the State's Group Membership database, which maintains all participants in the group insurance program. The valuation calculation for the future OPEB liability includes current active members in the group insurance program. Toll Highway employees do not participate in the State's group insurance program until they are retired and were therefore not included in the initial data submission. This omission resulted in a less than 2% adjustment to the State's reported annual required contribution. Procedures have been developed to ensure these employees are included in future submissions of actuarial data.

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08-4. **FINDING** (No controls over Community College Health Insurance Security Fund contributions)

The State of Illinois did not have sufficient controls to ensure all contributions required by the State Employees Group Insurance Act of 1971 were paid into the Community College Health Insurance Security Fund (Fund).

Revenues deposited into the Fund are for the sole purpose of providing health benefits to Community College retirees and their dependents and associated administrative costs. The Fund is administered jointly by the Department of Central Management Services (DCMS) and the Department of Healthcare and Family Services (HFS). According to the State Employees Group Insurance Act of 1971, the State Universities Retirement Systems (SURS) is required to collect the contributions from community colleges as a service agent to DCMS and promptly deposit such collections into the Fund. HFS has accepted responsibility for preparing the Fund's financial statements.

During our testing, we determined no State agency is ensuring that the amounts collected from active community college employees and the matching contributions from community colleges are the amounts required to be contributed per the State Employees Group Insurance Act of 1971.

The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/6.10) essentially requires every active contributor of SURS who is a full-time employee of a community college district or an association of community college boards, to make contributions to the plan at the rate of .5% of salary. The Act also requires every community college district or association of community college boards, that is an employer under SURS, to contribute to the plan an amount equal to .5% of the salary paid to its full-time employees who participate in the plan.

The State Pension Funds Continuing Appropriation Act of 1971 (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund in an amount certified by the SURS Board of Trustees.

The State relied on community college districts and boards to collect and remit required amounts based on payroll records maintained by these entities.

Inadequate controls to determine required revenue amounts are collected could cause the Fund to not be maintained in accordance with Statutory provisions. Inadequate controls could also cause revenues to be misstated in the financial statements. During fiscal year 2008, active employees contributed \$3,818,000, or approximately 20% of total contributions and participating community colleges districts contributed \$3,818,000, or 20% of total contributions.

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The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources. (Finding Code No. 08-4)

**RECOMMENDATION**

We recommend the Department of Healthcare and Family Services ensure adequate controls are designed, implemented and operating effectively to ensure contributions required by the State Employees Group Insurance Act of 1971 are collected and properly accounted for in the Community College Health Insurance Security Fund.

**DEPARTMENT RESPONSE**

The Department respectfully disagrees with the finding. The Department reports on activity associated with the Community College Health Insurance Security Fund, to include deposits of receipts made by the Department of Central Management Services (CMS) and the State University Retirement System (SURS). As part of the Department's reporting responsibility, Management Representation Letters were obtained from CMS and SURS so that assurances were provided for reporting purposes. The Comptroller's Office delegated the reporting responsibility to the Department in lieu of reflecting this fund as shared. These letters were also provided to the Auditor General's Office (OAG).

The Department also performed due diligence once the OAG brought this concern to its attention by sampling eight community college payrolls and calculating the .5% required contribution amount. The results of this standard audit confirmation test found that all eight colleges were in compliance with 5 ILCS 375/6.10 and noted no further concerns with the amounts being reported in the Department's financial statements.

The responsibilities associated with the Group Insurance program that were transferred from CMS to the Department in accordance with Executive Order 2005-3 did not include the depositing of receipts and 5 ILCS 375/6.10 specifically requires SURS to act as a service agent for depositing all community college active employee contributions. The purpose of this split was to transfer "vendor facing" responsibilities to the Department while CMS would retain "member facing" responsibilities. Information on active contributors of SURS and community college boards would be defined as member facing information and would not fall under the purview of the Department's administrative function. As such, the Department has neither the authority, nor the access to information needed to validate contributions and receipts. HFS has no oversight authority for contributions associated with the Group Insurance program to ensure compliance with State statute, as recommended by the OAG.

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If the requirement for verifying fund activity lies with the entity responsible for the financial reporting, then the Department will work with the Comptroller's Office in establishing this fund as "shared," whereas each agency will be responsible for reporting on their respective activity.

**AUDITOR'S COMMENT**

The auditors reported that no State Agency has implemented controls to ensure revenues are collected in accordance with State statute for this State administered insurance program. Consequently, the auditors were unable to test whether revenues were fairly stated for the Fund. Once the auditors brought this issue to the attention of the Department, the Department performed the minimum amount of work in order for the auditors to report on the financial statements for the Fund. The Department's response to the audit concern did not eliminate the issue reported in the finding. The auditor's recommendation is directed to the Department, since the Department has assumed the responsibility for preparing financial statements for the Fund.

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08-5. **FINDING** (Inappropriate use of appropriation authority)

The Illinois Department of Healthcare and Family Services (Department) made inappropriate payments of Workers' Compensation Act claims from its appropriation for health care coverage per the State Employees Group Insurance Act of 1971.

Public Act 95-0348 appropriated to the Department \$1,877,858,400 from the Health Insurance Reserve Fund for "provisions of health care coverage as elected by eligible members per the State Employees Group Insurance Act." (Emphasis Added)

The same Public Act appropriated to the Department of Central Management Services (DCMS) \$124,512,200 from the Workers' Compensation Revolving Fund for "payment of Workers' Compensation Act claims and contractual services in connection with said claims payments."

In April 2007, an interagency agreement was transacted between the Department and DCMS which essentially authorized DCMS to expend funds from the Department's fiscal year 2008 appropriation from the Health Insurance Reserve Fund for the payment of medical expenses under the Workers' Compensation program. The agreement limited the amount to be paid not to exceed \$10 million for the payment of invoices of medical care and all expenses associated with that care. During fiscal year 2008, DCMS processed \$9,994,187 from the Department's appropriation for State Employees Group Insurance to pay for medical claims and services related to the Workers' Compensation Act.

The interagency agreement, established between the Department and DCMS, and the related payments circumvents the appropriation process and distorts the cost of the two separate programs. In addition, it causes the payment certification required by the State Finance Act to be inaccurate since the certification states, in part, "...the goods and services specified on this voucher were for the use of this agency ..." (Emphasis Added)

The State Constitution (Article VIII, Section 2(b)) states that the General Assembly by law shall make appropriations for all expenditures of public funds of the State. The 2008 appropriation law clearly provided for separate appropriations for health care coverage as elected by eligible members for State Group Insurance and payment of Workers' Compensation Act claims. The State Finance Act (30 ILCS 150/9.04) requires the Chief Executive Officer of the department from whose appropriation payment will be made to make a specific certification that includes certification that the payment is for the use of that agency.

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Additionally, the Intergovernmental Cooperation Act (5 ILCS 220/4.5) prohibits agencies from entering into an interagency agreement if the agreement's intent or effect is: (i) to circumvent any limitation established by law on State appropriation or State expenditure authority with respect to health care and employee benefits contracts or (ii) to expend State moneys in a manner inconsistent with the purpose for which they were appropriated with respect to health care and employee benefits contracts.

Department management stated that the State Employee Group Insurance Act allows for payment of medical expenses from the Health Insurance Reserve Fund. The Department further stated that they would not be seeking any reimbursement to the Health Insurance Reserve Fund for any Workers' Compensation medical payments made in fiscal year 2008.

Effective July 18, 2008, Public Act 95-0744 amended the State Employees Group Insurance Act of 1971 (5 ILCS 375/13.1(d)(3.5)) to add that the payment of medical expenses incurred for the treatment of employees who suffer accidental injury or death within the scope of their employment may be paid from the Health Insurance Reserve Fund. (Finding Code No. 08-5, 07-2)

**RECOMMENDATION**

We recommend the Department make payments in accordance with its appropriation authority and ensure payment certifications are accurate. Further, the Department should implement controls to ensure interagency agreements are in compliance with all provisions of the Intergovernmental Cooperation Act.

**DEPARTMENT RESPONSE**

The Department respectfully disagrees with this finding. The Department believes that the payments were made properly under the authority of the State Employees Group Insurance Act of 1971. Thus the Department believes there is no need to seek reimbursement for those payments.

The State Finance Act precludes an agency from doing something via an Interagency Agreement (IA) that it could not do directly. However, the State Employee Group Insurance Act allows for payment of medical expenses from HIRF. (5 ILCS 375/13.1) The Department (via the IA with Central Management Services) paid medical expenses and liability for those expenses sits with the Workers' Compensation Act, as well as the employment relationship. An appropriation to another agency to pay other expenditures incurred under the Workers' Compensation Act does not preclude payment via this IA.

**AUDITOR'S COMMENT**

The 2008 appropriation law clearly provided for separate appropriations for health care coverage as elected by eligible members and for payment of Worker's Compensation Act claims.

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08-6. **FINDING** (Insufficient controls over the University of Illinois Hospital Services Fund)

The Illinois Department of Healthcare and Family Services (Department) did not have adequate controls for hospital rates that are reimbursed to the University of Illinois Hospital for services provided to individuals.

The Department and the Board of Trustees of the University of Illinois entered into an Interagency Agreement to require the Department to reimburse the University of Illinois and Clinics (Hospital) for services provided by the Hospital. The Department reimburses the Hospital a total per diem rate which is the sum of a calculated inpatient per diem, a calculated disproportionate share adjustment and a calculated supplemental disproportionate share adjustment less the amount of expenditures certified by the Hospital. These reimbursable rates are to be recalculated annually on October 1 of each year in accordance with the Illinois Administrative Code (89 Ill. Admin. Code 148).

Once the Department reimburses the Hospital, the Hospital is required to pay the Department an intergovernmental transfer installment payment. This intergovernmental transfer installment payment is derived by taking the total per diem amount made by the Department less a certified payment amount and a Hospital inpatient payment amount. The Interagency Agreement requires the Department to increment the Hospital inpatient payment annually on October 1 of each year based on an inflation factor. In addition, the Interagency Agreement requires the Hospital to certify to the Department that State expenditures have been obligated for the operation of the Hospital and the funds represent projected expenditures eligible for federal financial participation under Title XIX of the Social Security Act, and that these funds are not federal funds, or are federal funds authorized by federal law to be used to match other federal funds.

During our testing of University of Illinois Hospital Services Fund transactions, we noted the following deficiencies:

- The Department did not timely recalculate the total per diem rate or the Hospital inpatient payment rate for rate year 2007 (October 1, 2006 through September 30, 2007). During the entire 2007 rate year, the Department utilized the rates for rate year 2006. The 2007 rates should have been updated by October 1, 2006, but were not updated until November 1, 2007. As a result of not using the correct rates for rate year 2007, the Department had to provide additional payments totaling \$6,586,337 to the Hospital to make up the difference between the 2006 and 2007 rates during fiscal year 2008. Subsequently, the Hospital did not make an intergovernmental transfer of approximately \$1,400,000, relating to the difference between what was originally transferred and what should have been transferred to the Department.

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- The Department did not recalculate the total per diem rate or the Hospital inpatient payment rate for rate year 2008 (October 1, 2007 through September 30, 2008). The Department also did not revise the certified payment amount for the 2008 rate year expenditure amount that was certified on November 14, 2007 by the Hospital. During the 2008 rate year, the Department utilized the rates for rate year 2007. The 2008 rates should have been updated by October 1, 2007. However, beginning December 1, 2007 the Department did adjust the inpatient per diem rate and the Hospital inpatient payment rate. For the inpatient per diem rate, the Department incorrectly added \$280 to the inpatient per diem rate, but this amount was actually part of the disproportionate share adjustment and should not have been added to the inpatient per diem rate. For the Hospital inpatient payment rate, the Department increased the rate by \$108 which in return decreased the intergovernmental transfer installment rate. Department management stated that the rates were adjusted in order to facilitate an additional \$3,000,000 to the University of Illinois, which was a cash management decision, coordinated with the Office of Management and Budget, to have the Department provide more of the non-federal share of the Medicaid payments, rather than the University of Illinois Hospital.

Department management stated that the rate year 2007 rates were not timely calculated, and the 2008 rates were not recalculated due to the uncertainty surrounding the pending federal regulations which could limit payments to public providers to be no more than their documented costs. The federal regulations, which were ultimately placed under a moratorium by Congress, would have required the Department to change the rate methodology used to reimburse the hospital. There was concern that if the moratorium was lifted, the regulations would be implemented retroactively back to the beginning of 2007. Department management also stated that staff mistakenly added the additional \$280 per day to the 2008 inpatient rate component in the system.

Failure to use the correct rates could result in fewer revenues received from the federal government. (Finding Code No. 08-6)

**RECOMMENDATION**

We recommend the Department implement additional internal control procedures to ensure total per diem rates and Hospital inpatient payment rates are incremented annually as required by the Interagency Agreement and the Illinois Administrative Code. Further, we recommend the Department adjust the certified expenditure rate to coincide with the yearly certification provided by the Hospital.

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**DEPARTMENT RESPONSE**

The Department agrees with this finding. Final 2008 rates will be calculated and adjustments will be processed as necessary. The Department is in discussion with the Board of Trustees of the University of Illinois to implement recently approved Medicaid State Plan amendments that change the reimbursement methodology for the University of Illinois hospital. It is important to note that the transfers, described above in Section 2, are not paid by the hospital, but rather the Board of Trustees of the University of Illinois who is providing a portion of the funding for the non-federal share of the Medicaid payments.

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08-7. **FINDING** (Incorrect health insurance premium rates charged)

The Illinois Department of Healthcare and Family Services did not charge the correct health insurance premium rates for the Teacher's Retirement Insurance Program and College Insurance Program.

The Department set the fiscal year 2008 health insurance premium rates for Teachers Retirement System benefit recipient and dependent beneficiaries by increasing the prior year rate by 5%. The Department did not take into account the percentage that was to be paid by the Teacher Health Insurance Security Fund. As a result, we noted that the Department did not have an adequate rate-setting methodology used to determine the amount of the health care premiums to be charged. In addition, the Department did not present the rate-setting methodology (included but not limited to utilization levels and costs) used to determine health care premiums to the Teachers' Retirement System by April 15<sup>th</sup> as required.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e)) requires the Director of the Department of Central Management Services to determine the insurance rates and premiums for Teacher Retirement System benefit recipients and dependent beneficiaries, and present to the Teachers' Retirement System of the State of Illinois, by April 15<sup>th</sup> of each calendar year, the rate-setting methodology (including but not limited to utilization levels and costs) used to determine the amount of the health care premiums.

However, 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* issued by the Governor on April 1, 2005 transferred the respective powers, duties, rights and responsibilities related to State Healthcare Purchasing from various departments, including CMS, to the Department of Healthcare and Family Services. The Executive Order states the statutory powers, duties, rights and responsibilities of the various agencies, including CMS, derive from various statutes including 5 ILCS 375 et seq. The functions associated with State Healthcare Purchasing intended to be transferred included rate development.

We also noted the following 2008 premium rates of Teacher Retirement Insurance Program and College Insurance Program health insurance were not in compliance with parameters established in State statute.

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- The monthly health insurance premium rate charged for a Teachers Retirement System dependent beneficiary who is Medicare primary was \$240.09; however, the health insurance premium rate should have only been \$229.63. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e) and (e)(3.1)) requires that the Teacher Health Insurance Security Fund pay 25% of the total insurance rate for this type of coverage. This means that the health insurance premium rate charged to a recipient should only be 75% of the insurance rate, however, State statute also requires the premium charged may not exceed 105% of the premium actually charged in the previous fiscal year. The insurance rate determined by the Departments for this category was \$306.17. The health insurance premium rate charged in fiscal year 2007 to the Teachers Retirement System dependent beneficiary in this category was \$228.65. The beneficiaries were overcharged a total of \$152,643 during fiscal year 2008.
- The monthly health insurance premium rate charged for a Teachers Retirement System benefit recipient for ages twenty three and under selecting the major medical coverage program was \$139.54; however, the health insurance premium rate should have only been \$117.17. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e) and (e)(2)) requires that the Teacher Health Insurance Security Fund pay 50% of the total insurance rate for this type of coverage. This means that the health insurance premium rate charged to a recipient should only be 50% of the insurance rate, however State statute also requires the premium charged may not exceed 105% of the premium actually charged in the previous fiscal year. The insurance rate determined by the Departments for this category was \$234.33. The health insurance premium rate charged in fiscal year 2007 to the Teachers Retirement System benefit recipients in this category was \$132.90. The benefit recipients were overcharged a total of \$2,617 during fiscal year 2008.
- The monthly health insurance premium rate charged to a Teachers Retirement System benefit recipient for ages twenty three and under selecting the medical coverage program was \$69.77; however, the health insurance premium rate should have only been \$58.58. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e) and (e)(1)) requires that the Teacher Health Insurance Security Fund pay 75% of the total insurance rate for this type of coverage. This means that the health insurance premium rate charged to a recipient should only be 25% of the insurance rate, however State statute also requires the premium charged may not exceed 105% of the premium actually charged in the previous fiscal year. The 2008 insurance rate determined by the Departments for this category was \$234.33. The health insurance premium rate charged in fiscal year 2007 to the Teachers Retirement System benefit recipients in this category was \$66.45. The benefit recipients were overcharged a total of \$269 during fiscal year 2008.

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- The monthly health insurance premium rate charged for a Community College benefit recipient for ages twenty three and under selecting a managed care program was \$73.01; however, the health insurance premium rate should have been at least \$181.84. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.9(e)(1)) requires that the Community College Health Insurance Security Fund pay up to 75% of the total insurance rate. This means that the health insurance premium rate charged to a recipient should be 25% of the insurance rates. The insurance rate determined by the Departments for this category was \$727.34. The benefit recipients were undercharged a total of \$7,946 during fiscal year 2008.

Department management stated that they did not interpret the statute as requiring premiums to be determined by both an increase of no more than 5% of the prior year and the amount to be paid by the Teacher Health Insurance Security Fund. (Finding Code No. 08-7)

**RECOMMENDATION**

We recommend the Department ensures health insurance premium rates are set for the Teacher's Health Insurance Program and the College Insurance Program as required by the State Employees Group Insurance Act of 1971. We also recommend the Department ensures adequate rate setting methodologies are established and make annual required reports to the Teachers Retirement System.

**DEPARTMENT RESPONSE**

The Department agrees with this finding. The Department has submitted draft legislative language to address the issue and clarify that the determination of premiums shall be limited solely to an increase of no more than 5% of the prior year.

**AUDITOR'S COMMENT**

The Department's corrective action plan noted in its response is an overly simple and unreasonable resolution to the issues addressed in the finding. A rate setting methodology should be developed annually and include but not be limited to utilization levels and costs as currently required by the State Employees Group Insurance Act of 1971.

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08-8. **FINDING** (Hospital improvement access payments not paid timely)

The Illinois Department of Healthcare and Family Services (Department) did not pay the first 3 quarterly payments for fiscal year 2008 hospital improvement access payments on a timely basis.

The Department paid all fiscal year 2008 hospital improvement access payments totaling \$1,200,000,000 on April 24, 2008. The due date for the first quarter was September 12, 2007, the second quarter was due December 11, 2007, and the third quarter was due March 11, 2008.

The Illinois Public Aid Code (305 ILCS 5/5A-12.1) requires that hospital improvement access payments be paid in equal quarterly installments by the 7<sup>th</sup> business day of September, December, March and May.

Department management stated that the appropriation to make the above referenced payments was not available as of the due dates.

Delayed hospital improvement access payments to hospital providers is in non-compliance with the Illinois Public Aid Code. (Finding Code No. 08-8, 07-3)

**RECOMMENDATION**

We recommend the Department comply with the Illinois Public Aid Code by ensuring hospital improvement access payments are paid timely.

**DEPARTMENT RESPONSE**

The Department respectfully disagrees with this finding. While the statutory language directed the Department to make the referenced payments to hospitals, the language, by itself, was insufficient authority to do so. Payments to hospitals require also (1) statutory authority to spend money, in the form of an appropriation for that purpose and (2) actual cash in the fund from which the appropriation is made sufficient to make the payments.

The appropriation authority necessary to make these payments was passed by both houses of the 95<sup>th</sup> General Assembly (SB 1863) on March 6, 2008 (nine months into the fiscal year), and sent to the Governor, for his consideration, on March 8, 2008. The bill was signed into law on April 8, 2008 (PA 095-0718). Then, and only then, did the Department have sufficient authority to make the payments—eight months after the date for the first set of payments as specified in statute.

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The final necessary requirement for these payments was the deposit of cash into the fund sufficient to make the payments. That deposit—the proceeds of a short-term borrowing—was made on April 24, 2008.

Only when all the necessary conditions—both legal and fiscal—were met, could the payments be made. The access improvement payments were made on April 24, 2008, which was the first day the Department could legally execute the payments.

**AUDITOR’S COMMENT**

As noted in the Department’s response, “...the statutory language directed the Department to make the referenced payments to hospitals...” Budgetary and cash management issues do not eliminate the noncompliance related to timeliness.

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08-9. **FINDING** (Voucher processing weaknesses)

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

- During lapse period voucher testing, we noted the Department paid 2 of 60 (3%) vendors totaling \$1,802,549 for supplies and services that were incurred during fiscal year 2009 from fiscal year 2008 appropriations. The State Finance Act (30 ILCS 105/25) states that outstanding liabilities as of June 30, payable from appropriations which have otherwise expired, may be paid out of the expiring appropriations during the 2-month period ending at the close of business on August 31<sup>st</sup>. The supplies and services were not incurred as of June 30, 2008 and therefore should not be charged against fiscal year 2008 appropriations. Department management stated that the two vendors paid for supplies and services against the fiscal year 2008 appropriations were processed due to an Medicaid Management Information System (MMIS) error. The error was related to the payment of claims using multiple fiscal year funding sources, which was not interpreted correctly by the computer program coding in the MMIS system.
- Three of 29 (10%) internal service vouchers tested, totaling \$171,849 were approved for payment from 4 to 57 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 that the staff processing the internal service vouchers were not aware of the 30 day processing requirement.

Failure to charge expenses to the correct fiscal year's appropriation is a violation of the State Finance Act. In addition, failure to approve internal service vouchers timely is noncompliance with the Illinois Administrative Code. (Finding Code No. 08-9, 07-6, 06-3)

**RECOMMENDATION**

We recommend the Department pay expenses with the correct fiscal year's appropriations unless otherwise permitted by law. Further, we recommend the Department comply with the Illinois Administrative Code and implement controls to ensure vouchers are approved within the required time frame.

**DEPARTMENT RESPONSE**

The Department agrees with this finding. The Bureau of Information Systems is working on a problem request form to prevent the situation from affecting MMIS vouchers in the future. In addition, the Department has revised its procedures for processing internal service vouchers to require that they be approved within 30 days of receipt of the invoice and has developed a tracking report to log receipt of and ensure timely completion of all internal service vouchers.

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08-10. **FINDING** (Grants not approved or refunds received timely)

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

- Forty-eight of 50 (96%) LIHEAP and IHWAP grant agreements were not signed by the Director of the Department until 12 to 339 days after the effective date of the grant agreement. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that agencies establish internal fiscal and administrative controls to provide assurance that obligations are in compliance with applicable laws. Good business practice requires that grants be approved by all involved parties prior to the effective date of the grant agreements. Department management stated that despite exhaustive efforts by the Department, and early preparation of the grant documents, the quantity of grant contracts to be processed in some instances results in delayed execution of the grant contracts.
- Fourteen of 34 (41%) grant refunds tested totaling \$176,106 were not submitted to the Department in the time frame as required by the Grant Funds Recovery Act. The refunds were submitted 1 to 62 days late. The Grant Funds Recovery Act (30 ILCS 705/5) requires grantees to return unexpended grant funds to the Department within 45 days of the expiration of that grant agreement. Department management stated that the Office of Energy Assistance has streamlined the closeout submission process to assist in a more timely review of the closeout packages and continues to remind sub-grantees of the closeout package due dates. Although closeouts are reviewed in a timely manner, errors in submitted closeouts often prohibit the Office of Energy Assistance from completing the approval process quickly.

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 receive grant refunds in a timely manner is a noncompliance with State law. (Finding Code No. 08-10, 07-9, 06-7)

**RECOMMENDATION**

We recommend the Department ensure that written agreements are executed in a timely manner. Further, we recommend the Department comply with the Grant Funds Recovery Act by strengthening its controls to ensure all grant refunds are received in a timely manner.

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**DEPARTMENT RESPONSE**

The Department accepts the finding. Although the grant agreements were not executed in a timely manner, a more efficient approval process was put in place prior to fiscal year 2009, ensuring that the grant agreements for that fiscal year were executed prior to July 1, 2009, as required.

The grant closeouts were reviewed in a timely manner, but due to disputed amounts and documents submitted in conjunction with some of the closeout packages, the Department approval of these closeouts was delayed in some cases. The Department will continue to make every effort to correct the closeouts in a timely manner prior to approval.

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08-11. **FINDING** (Inadequate controls over personal services)

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

- The Department did not conduct annual or probationary employee performance evaluations during fiscal year 2008 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. The Department's Employee Handbook (Section 110.2) requires an employee to serve a four-month probationary period when they are promoted into a new position. The Illinois Administrative Code (80 Ill. Admin. Code 302.270 (c)) requires the Agency to prepare an evaluation for employees serving a four-month probationary period three and one half months after the commencement of the probationary period. Department management stated that the Division of Personnel and Administrative Services sends reminders when evaluations are due and 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.
- During our review of employee timesheets, we noted that 11 of 60 (18%) employees had timesheets that were not filled out correctly. The timesheets did not indicate the number of hours worked and/or the number of leave hours used each day. The Department's Employee Handbook (Section 120.5) requires that bargaining unit employees enter the time the employee arrived and departed on an "Employee Daily Time Log" (HFS 163) and the designated timekeeper is responsible for calculating the number of hours worked and/or the number of leave hours used each day. The Department's Employee Handbook (Section 120.5) also requires that attendance for merit compensation employees be tracked by a designated timekeeper on a "MC Employee Daily Roster" (HFS 163A). Further, it states that supervisors are responsible for ensuring that HFS 163A is accurately completed each workday for each payroll distribution group containing merit compensation employees they supervise. Department management stated that the errors were due to oversight by timekeeping staff.

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- During our review of employee absences, we noted that 7 of 60 (12%) employees had completed an “Employee Absence Request/Reports” Form (HFS 2053) but those requests were not approved prior to their absence or within a reasonable time frame after the absence. The requests were approved from 2 to 11 business days after the absence. In addition, we noted 7 of 60 (12%) employees had HFS 2053 forms that were not filled out correctly. The forms were lacking supervisor approval dates, employee signature dates and/or an employee signature. The Department’s Employee Handbook (Section 205.2 (A)) requires that, for scheduled absences, employees must request time off in advance of the date its use is planned and the employee’s immediate supervisor must approve or deny the request. Further, the Department’s Employee Handbook (Section 205.2 (B)) requires that, for unscheduled absences, the employee must notify their immediate supervisor within one hour of the start of the work shift and the immediate supervisor (or the designee) completes the proper form on the day of the absence showing the date, amount and type of time that has been requested to be applied towards the absence. Department management stated that these errors occurred due to oversight and have subsequently been corrected.
  
- During a site visit, an employee was noted as being absent and the auditor was provided a timesheet and an “Employee Absence Request/Reports” Form indicating the employee was absent without pay. A review of the employee’s payroll records indicated the employee was present. The Department subsequently provided a revised timesheet indicating the employee was present during the site visit. Auditor then questioned the revised timesheet noting that the auditor observed the employee was absent on the day of the site visit. Upon further review, the Department indicated that the employee was absent during the site visit and a series of miscommunication and errors had occurred leading to incorrect documentation. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the establishment and maintenance of a system of internal controls to provide assurance that costs are in compliance with applicable laws.

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. In addition, failure to fill out timesheets correctly increases the likelihood that Department records are inaccurate. Further, failure of employees to sign and supervisors to timely approve requests for employee’s absences limits management’s ability to disapprove the time if necessary and is noncompliance with the Department’s policies and procedures. (Finding Code No. 08-11, 07-11, 06-6, 05-1)

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**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, we recommend the Department comply with the Department's Employee Handbook and ensure employee timesheets are filled out correctly and employees sign and supervisors approve employee absences prior to their absence or within a reasonable time frame after the absence.

**DEPARTMENT RESPONSE**

The Department agrees that all employees should receive annual or probationary employee performance evaluations and Employee Daily Time Logs (HFS 163) should be filled out correctly. In addition, the Department agrees that Employee Absence Requests Reports (HFS 2053) should be accurate and approved prior to absence or within a reasonable time frame after the absence. The Division of Personnel and Administrative Services will continue to send out notifications indicating when evaluations are due. In addition, the Department will make every effort to ensure the HFS 163 and HFS 2053 are reviewed for accuracy and employee's absences are approved in advance, as well as emphasize the importance of obtaining prior approval by email for employees that have supervisors in a different geographical location. The Department has referred the site visit issue to the Office of the Inspector General for further investigation.

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08-12. **FINDING** (Failure to comply with interagency agreements)

The Illinois Department of Healthcare and Family Services (Department) did not follow the Department's responsibilities as specified in an interagency agreement.

The Department did not coordinate with the Department of Veteran's Affairs (DVA) to develop written policies and procedures in order to implement the Illinois Warrior Assistance Program. Also, the Department did not transfer \$4 million to the Veterans Assistance Fund or provide DVA with quarterly reports that indicated the estimated yearly costs for the Illinois Warrior Assistance Program.

The interagency agreement between the Department and DVA requires the Department to:

- work with DVA to coordinate internal and interagency procedures to facilitate the necessary implementation of the Illinois Warrior Assistance Program that will provide for screening and treatment of traumatic brain injury and post-traumatic stress disorder,
- transfer \$4 million to the Veterans Assistance Fund to be used in the operation of the Illinois Warrior Assistance Program, and
- provide DVA each fiscal quarter an updated estimate of the cost of the Illinois Warrior Assistance Program projected as of the end of the fiscal year, a report of the total number of actual enrollees in the program, and an updated estimate of the projected cumulative number of enrollees as of the end of the fiscal year.

The Department stated that they believe they do adequately communicate with the Department of Veteran Affairs (DVA) to coordinate internal and interagency procedures to facilitate the actions that are necessary to implement and administer the Illinois Warrior Assistance Program (IWAP). In addition, the Department stated that the IWAP program utilization and related costs were lower than anticipated so the dollars to administer the program did not need to be transferred to DVA. The Department also indicated that since the determination was made to have the Department continue to pay IWAP expenses, they believed that it was not necessary to provide DVA with quarterly estimates for the cost of the program.

The lack of formal written procedures can lead to inconsistencies in implementing and administering the Illinois Warrior Assistance Program. In addition, \$364,349 was expended from the General Revenue Fund instead of the Veterans Assistance Fund as intended by the agreement. Failure to comply with the interagency agreement results in funds being expended in a way contrary to their intended purpose. Further, failure to provide quarterly reports to the Department of Veteran's Affairs does not allow for proper monitoring of enrollees and costs associated with the Illinois Warrior Assistance Program. (Finding Code No. 08-12, 07-12)

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**RECOMMENDATION**

We recommend the Department comply with all responsibilities specified in the interagency agreement.

**DEPARTMENT RESPONSE**

The Department partially agrees with this finding. The Department procured the provider to create a screening tool to identify veterans with symptoms of Mild Traumatic Brain Injury (TBI) and Post Traumatic Stress Disorder (PTSD), worked collaboratively with DVA to schedule educational sessions with DVA Veterans Services Officers (VSO) who administer the TBI/PTSD screening tool in their offices and participated in annual educational meetings with VSO's to re-educate them about the IWAP program. The Department participates in bi-weekly calls with DVA and the vendor to discuss ongoing administrative and member related concerns to insure that the program was operating according to expectations. The Department and DVA participate in quarterly Quality Improvement meetings to discuss the trends in utilization, impact of marketing and communication efforts and case examples that demonstrate that IWAP is effectively meeting the needs of Illinois veterans. In addition, the Department and DVA communicate on a very frequent basis to discuss the program administration and engage in problem solving. Although the communication between the Department and DVA is consistent with program administration procedures, the Department will work with DVA to prepare written internal and interagency procedures.

The IWAP expenditures were considerably less than projected; with the actual program costs for the first year at \$364,349. Due to the low volume of behavioral health claims, the Department determined that it was not necessary to transfer the \$4 million to the Veterans Assistance Fund. The Department continues to process the payments for the Illinois Warrior Assistance Program.

The Department and DVA will continue to jointly monitor the status of the IWAP through weekly and monthly reports provided by the vendor and participate in bi-weekly calls and quarterly Quality Improvement meetings.

**AUDITOR'S COMMENT**

The Department should comply with the interagency agreement between the Department and the Department of Veteran's Affairs or amend the interagency agreement. It is important to establish policies and procedures to ensure the Illinois Warrior Assistance Program operates efficiently and effectively.

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08-13. **FINDING** (University of Illinois Hospital not notified of revised rates)

The Illinois Department of Healthcare and Family Services (Department) did not notify the University of Illinois Hospital (Hospital) of calculated rates as required by an Interagency Agreement.

During testing of an Interagency Agreement between the Department and the Board of Trustees of the University of Illinois, we noted the Department did not comply with the Interagency Agreement. The following noncompliance issues were noted:

- The Department did not notify the Hospital by letter of the calculated rates that would be used for rate year 2007 (October 1, 2006 through September 30, 2007) until November 1, 2007, which was two months after the rate year ended.
- The Department did not notify the Hospital by letter of the calculated rates that would be used for rate year 2008 (October 1, 2007 through September 30, 2008).
- During rate year 2008, the Department changed the Hospital's calculated rates for rate year 2008, however the Department never notified the Hospital by letter of these rate changes.

The Interagency Agreement between the Department and the Board of Trustees of the University of Illinois requires the Department to notify the Hospital of the calculated rates by letter no later than September 1 of each year.

Department staff stated that a rate notification letter was either sent late or not formally sent to the University due to the uncertainty surrounding the pending federal regulations limiting payments to public providers to costs. The federal regulations, which were ultimately placed under a moratorium by Congress, would have required the Department to change the rate methodology used to reimburse the hospital.

Failure to notify and/or timely notify the Hospital by letter of calculated rates that would be used during the next rate year could result in incorrect rates being used and is in noncompliance with the Interagency Agreement. (Finding Code No. 08-13)

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**RECOMMENDATION**

We recommend the Department comply with the Interagency Agreement between the Department and the Board of Trustees of the University of Illinois by notifying the Hospital of the calculated rates by letter no later than September 1 of each year, and notifying the Hospital by letter of any changes made to the calculated rates during the year.

**DEPARTMENT RESPONSE**

The Department agrees with this finding. The Department has maintained communication with the University to inform them of their rates. Prospectively, the Department will formally document future rates for the University through written letters.

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08-14. **FINDING** (Untimely Medicaid annual report)

The Illinois Department of Healthcare and Family Services (Department) did not comply with the State Finance Act (Act).

The Department did not submit a required annual report which documented information in regard to the State's Medicaid Program until 180 days after the report was due.

The State Finance Act (30 ILCS 105/25(e)) requires the Department to annually submit to the State Comptroller, Senate President, Senate Minority Leader, Speaker of the House, House Minority Leader, the respective Chairman and Minority Spokesmen of the Appropriations Committees of the Senate and the House a report that shall document by program or service category those expenditures from the most recently completed fiscal year used to pay for (i) services provided in prior fiscal years and (ii) services for which claims were received in prior fiscal years. The Act (30 ILCS 105/25(g)) also requires each annual report to include information relating to the State's Medicaid program, including (1) explanations of the exact causes of variances from year to year, (2) factors affecting the Department's liabilities and (3) the results of the Department's efforts to combat fraud and abuse. The report must be submitted annually, on or before November 30<sup>th</sup>.

Department management stated the delay was the result of increased levels of review and scrutiny due to the overall material impact on the State's financial position.

Failure to timely file the required report is noncompliance with the State Finance Act. (Finding Code No. 08-14)

**RECOMMENDATION**

We recommend the Department comply with the State Finance Act by ensuring that reports are filed in a timely manner.

**DEPARTMENT RESPONSE**

The Department agrees with this finding. The Department will make every effort to ensure the report is filed in compliance with 30 ILCS 105/25(e).

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08-15. **FINDING** (Failure to comply with the provisions of the Alternative Healthcare Delivery Act)

The Illinois Department of Healthcare and Family Services (Department) failed to comply with the provisions of the Alternative Healthcare Delivery Act (Act).

The Department has not implemented a reimbursement methodology for the Act. In addition, the Department did not keep a record of services provided under the program or submit an annual report of that information to the Illinois Department of Public Health (IDPH).

The Alternative 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 Alternative Healthcare Delivery Act (210 ILCS 3/30) requires the Department to cooperate with 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 and to submit an annual report of that information to IDPH.

Department management stated that they have established a reimbursement methodology for one specific type of provider defined under the Act but acknowledged that no other reimbursement methodologies have been established. They also stated that they are unaware of any other type of provider, as defined in the Act, seeking reimbursement from the Department.

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 that area. (Finding Code No. 08-15, 07-15, 06-10, 05-8)

**RECOMMENDATION**

We recommend the Department, in coordination with 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 statutory requirements.

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**DEPARTMENT RESPONSE**

The Department agrees with this finding. The IDPH has defined Children's Community-Based Health Care Center at 77 Ill. Adm. Code 260. The Department has subsequently established a reimbursement methodology for such entities at 89 Ill. Adm. Code 146.500.

The Act was recently amended to establish alternative birthing centers. We are aware that the federal Centers for Medicare and Medicaid Services has disallowed the establishment of such providers in Texas. Texas appealed the disallowance, but no final determination has been made. In order to maximize federal funding, the Department is attempting to better understand any federal concerns that may exist relating to birthing centers.

The Department will review other provisions of the Act and consult with the IDPH to address other providers established under the Act. Consideration will be given to assuring federal compliance with any established payment methodologies, as well as whether or not the IDPH issued any other licenses under the Act.

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For the Year Ended June 30, 2008

08-16. **FINDING** (Noncompliance with the Illinois Latino Family Commission Act)

The Illinois Department of Healthcare and Family Services (Department) did not comply with the Illinois Latino Family Commission Act.

The Department has not appointed a liaison to serve on the Illinois Latino Family Commission (Commission).

The Illinois Latino Family Commission Act (20 ILCS 3983/20) requires the Department to appoint a liaison to serve ex-officio on the Illinois Latino Family Commission. The agency is to work with the Office of the Governor to provide administrative support to the Commission.

Department management stated that they were in the process of designating a representative to serve on the Commission.

Failure to appoint a liaison to the Commission is noncompliance with the Illinois Latino Family Commission Act. (Finding Code No. 08-16)

**RECOMMENDATION**

We recommend the Department comply with the Illinois Latino Family Commission Act by appointing a liaison to the Commission.

**DEPARTMENT RESPONSE**

The Department agrees with the finding and has appointed a representative to serve on the Commission. As all of the appointments have not yet been made by all agencies involved, the Commission has not yet met.

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**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
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08-17. **FINDING** (Failure to create a health care advocates committee)

The Illinois Department of Healthcare and Family Services (Department) did not jointly create an interagency committee with the Department of Human Services (DHS) to act as health care advocates.

The Illinois Public Aid Code (305 ILCS 5/9A-9.5) requires the Department and DHS to jointly establish an interagency committee to do the following:

- assist the departments in making recommendations on incorporating health care advocates into education, training, and placement programs.
- develop more outreach and educational programs to help TANF families make informed decisions about health insurance and health care.
- develop methods to simplify the process of applying for medical assistance.

Department management stated that they are in communication with DHS concerning the establishment of the required interagency committee.

Failure to jointly establish an interagency committee with the Department of Human Services is noncompliance with the Illinois Public Aid Code. (Finding Code No. 08-17)

**RECOMMENDATION**

We recommend the Department comply with the Public Aid Code by establishing an interagency committee with the Department of Human Services to act as health care advocates.

**DEPARTMENT RESPONSE**

The Department agrees with this finding. The Department has formally established processes for coordinating and reviewing policies that affect both agencies. To ensure efficiency, any new committee must be coordinated with these existing processes. The Department will continue to work with DHS to establish the new committee in coordination with already existing committees.

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**  
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A. **FINDING** (Terms of Cook County intergovernmental agreement not complied with)

During the prior examination, the Illinois Department of Healthcare and Family Services (Department) did not require Cook County to comply with an Interagency Agreement that was executed between the Department and Cook County. Specifically, the Department allowed Cook County to adjust the timing of payments for the County's Secondary Transfer Payment.

During the current examination, the Department required Cook County to comply with the Interagency Agreement and all Secondary Transfer Payments were submitted according to the Interagency Agreement. (Finding Code No. 07-04)

B. **FINDING** (Payments for Information Technology services without supporting documentation)

During the prior examination, the Illinois Department of Healthcare and Family Services (Department) made payments for Information Technology (consolidated services) to the Department of Central Management Services without supporting documentation.

During the current examination, we noted no instances during voucher testing where the Department made payments for Information Technology (consolidated services) without proper documentation. (Finding Code No. 07-05)

C. **FINDING** (Interest not paid on intercepted State income tax refunds)

During the prior examination, the Illinois Department of Healthcare and Family Services (Department) did not comply with the Illinois Public Aid Code regarding State income tax refunds and other payments that were intercepted. Specifically, during our review of State income tax refunds that were erroneously or wrongfully intercepted by the Department, we noted 8 of 15 (53%) payees did not receive the proper interest. It was also noted that the Key Information Delivery System (KIDS) was not capable of automatically calculating interest on intercepted State income tax refunds, nor did it generate reports detailing refunds that were due interest.

During the current examination, the Department developed and implemented a system to automatically identify interest due on intercepted State income tax refunds. Additionally, during our testing of interest paid on erroneously withheld State income tax refunds, we did not note any instances where interest was miscalculated. (Finding Code No. 07-07)

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**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**  
For the Year Ended June 30, 2008

D. **FINDING** (Lack of adequate written internal policies and procedures)

During the prior examination, the Illinois Department of Healthcare and Family Services (Department) did not have adequate written policies and procedures related to the internal functions that are required by the Office of Energy Assistance, such as grant agreement processing, the monitoring of grant agreements, the process of closing out grant agreements, and the review of service agency audit reports.

During the current examination, the Department implemented adequate internal policy manuals that cover necessary operations for the Office of Energy Assistance. (Finding Code No. 07-08)

E. **FINDING** (Failure to receive or review external A-133 grantee audits in a timely manner)

During the prior examination, the Illinois Department of Healthcare and Family Services (Department) did not review or receive the most recent external A-133 grantee audits in a timely manner for the Weatherization Assistance for Low-Income Persons and Low-Income Home Energy Assistance federal grants.

During the current examination, the Department reviewed external A-133 grantee audits in a timely manner. The Department also made reasonable efforts to obtain any late external A-133 grantee audits. (Finding Code No. 07-10)

F. **FINDING** (Inadequate supporting documentation)

During the prior examination, the Illinois Department of Healthcare and Family Services (Department) did not maintain adequate documentation to support professional expenditures to consultants for Healthcare Purchasing. Specifically, for two contracts tested the Department did not provide adequate documentation to support that the work was actually performed by the vendors.

During the current examination, we noted no instances during our detail testing of professional expenditures to consultants for Healthcare Purchasing where the Department did not maintain proper documentation to adequately support that the work was actually performed by the vendors. (Finding Code No. 07-13, 06-9)

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**  
For the Year Ended June 30, 2008

G. **FINDING** (Inadequate controls over travel expenditures)

During the prior examination, the Illinois Department of Healthcare and Family Services (Department) did not exercise adequate internal controls over its travel expenditures which resulted in one traveler being reimbursed twice and three travelers receiving controlled housing reimbursements which exceeded their allowable amounts. Also, the Department submitted inaccurate quarterly controlled housing reports to the Governor's Travel Control Board.

During the current examination, the Department improved internal controls to monitor travel expenditures, specifically controlled housing reimbursements and submitted accurate controlled housing quarterly reports to the Governor's Travel Control Board. In addition, the Department received reimbursement from those employees who received improper reimbursement. (Finding Code No. 07-14)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
For the Year Ended June 30, 2008

As part of the fiscal year 2008 Illinois Department of Healthcare and Family Services (Department) engagement, we followed up on the status of three management audits. These include:

- Program and Management Audit of the Illinois Department of Public Aid KidCare Program (Released July 2002);
- Management Audit of the Illinois Department of Healthcare and Family Services' Flu Vaccine Procurement and the I-Save Rx Program (Released September 2006); and
- Management Audit of the Illinois Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process (Released May 2008).

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**KIDCARE PROGRAM**  
For the Year Ended June 30, 2008

**Program and Management Audit of the Illinois Department of Public Aid 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)

*Under Study:* The Department has investigated several options and determined that instead of using cards with pre-printed dates of eligibility, a better solution is to adopt a more permanent medical identification card that, when presented, would allow a provider to determine current eligibility status. This type of card would address ongoing concerns that using cards with pre-printed dates of eligibility would result in confusion for providers and claims on behalf of clients who may not be eligible on the date of service. The Department is working to assure sufficient capacity exists in its alternate eligibility verification systems to support elimination of the monthly mailing. Response times in these systems must be rapid.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**SPECIAL ADVOCATE FOR PRESCRIPTION DRUGS**  
For the Year Ended June 30, 2008

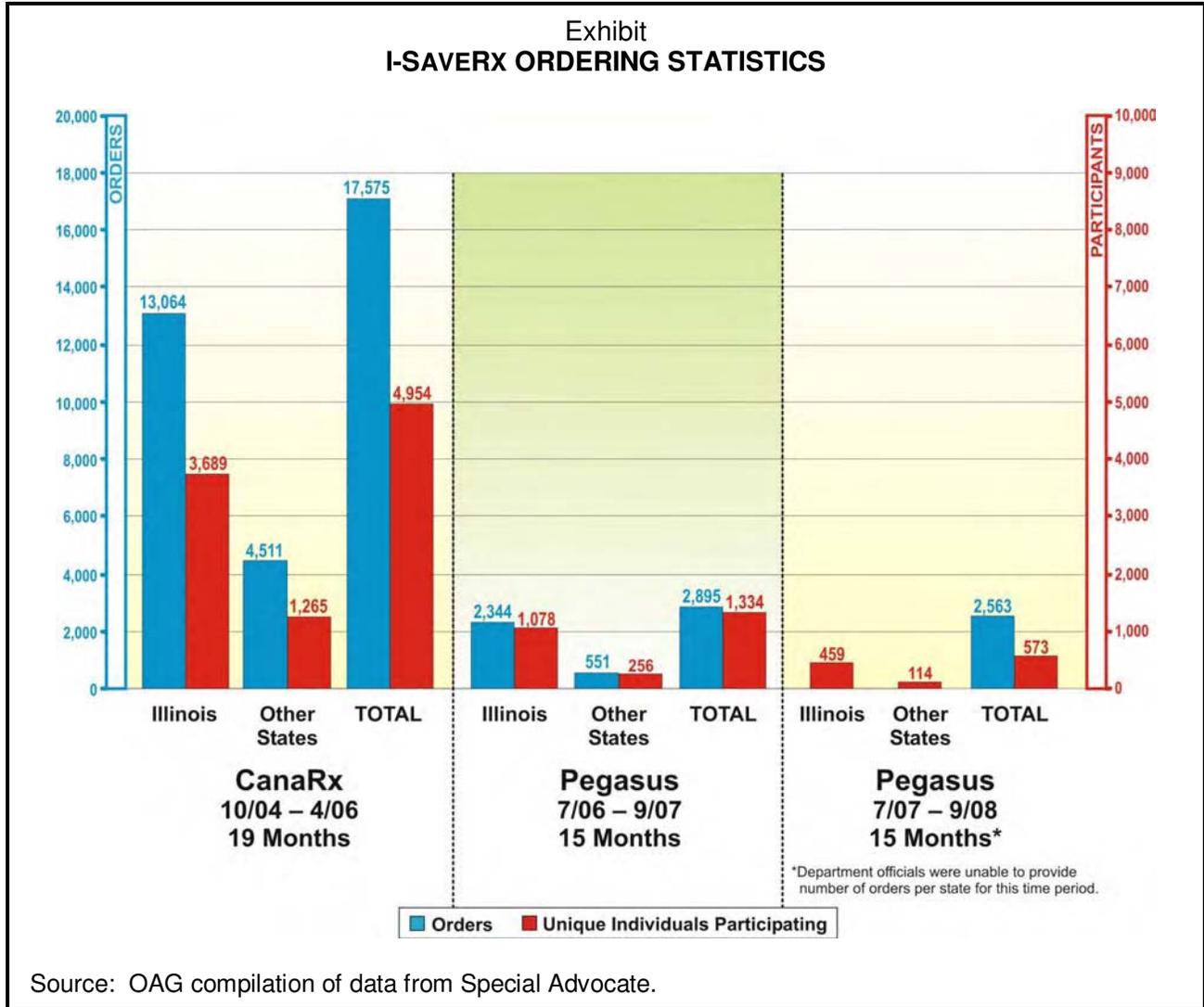
**Management Audit of the Flu Vaccine Procurement and the I-Save Rx Program**  
**(September 2006)**

Illinois House of Representatives Resolution Number 394 directed the Auditor General to conduct a management audit of the process followed in negotiating and entering into the contract with Ecosse Hospital Products Limited and in establishing and operating the I-SaveRx program. Regarding the contract with Ecosse Hospital Products Limited, the Resolution directed the Auditor General to determine the roles played by the Office of the Governor and the Special Advocate for Prescription Drugs in negotiating and entering into the flu vaccine contract. Regarding the I-SaveRx program, the Auditor General was to determine the procedures applicable to, and the agencies responsible for, establishing and operating the Program and whether the entities involved in the Program followed all applicable laws, regulations, policies and procedures.

During the management audit, the pharmacy benefit manager for the I-SaveRx program was CanaRx. As of July 1, 2006, the State selected Pegasus as the pharmacy benefit manager for the program. Effective November 15, 2007, the contract with Pegasus was amended to expand the I-SaveRx program to State employees that participate in the Quality Care Health Plan. In December 2008, a Department official stated that the program never expanded.

Participation in the I-SaveRx program has declined. In the 15 month period from July 2007 to September 2008, the total number of participants was 573. This is a 57% decrease from the prior 15 month period. The Department was unable to provide the number of orders placed by state, for this period. However, the total number of orders for this period was 2,563, a decrease of 11% compared to the prior 15 month period. I-SaveRx statistics are summarized in the following Exhibit.

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**STATUS OF MANAGEMENT AUDIT**  
**SPECIAL ADVOCATE FOR PRESCRIPTION DRUGS**  
 For the Year Ended June 30, 2008



The management audit contained five recommendations to the Department. Follow up for the year ended June 30, 2007 found the Department had implemented one of the recommendations and partially implemented some of the others.

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**STATUS OF MANAGEMENT AUDIT**  
**SPECIAL ADVOCATE FOR PRESCRIPTION DRUGS**  
For the Year Ended June 30, 2008

As part of our fiscal year 2008 compliance examination of the Department, we followed up on the four recommendations that had not been fully implemented at the time of our prior review. Those recommendations and current year results are as follows:

- *The Special Advocate for Prescription Drugs should monitor the I-SaveRx program to ensure that only approved pharmacies are filling prescriptions.*

Follow up for the year ended June 30, 2007 found that the Special Advocate did monitor, through the Drug Usage by Region and Pharmacy management report, which approved pharmacies were filling prescriptions for the I-SaveRx program. However, at that time, instances occurred where prescriptions were filled for drugs that were not on the I-SaveRx Complete Drug List, maintained on the I-SaveRx website.

Since that follow up, the Complete Drug List has been removed from the website and was replaced with a “Find Your Medication” selection on the homepage. The user typed in the name of the medication they were requesting and similar available prescriptions appeared on the screen. According to officials, it was always updated in real time on the website.

- *The Special Advocate for Prescription Drugs should take the necessary steps to monitor and test the safety and efficacy of medications provided to I-SaveRx program participants to ensure that the participants are getting medications as advertised.*

When asked if any medication testing has been performed, the Department provided meeting notes from an October 22, 2008 meeting with the University of Illinois at Chicago, College of Pharmacy, Medco Health Solutions, and the Office of the Special Advocate for Prescription Drugs. This meeting discussed a sensor testing system. However, no testing has been conducted.

- *The Special Advocate should perform and document adequate monitoring of the pharmacy benefit manager for the I-SaveRx program to ensure the vendor meets all contract requirements. Monitoring should include...conducting no-notice pharmacy inspections; and performing and documenting an audit of the I-SaveRx program.*

A No-Notice Pharmacy Inspection Policy was developed and formally approved; however, no financial audit has been completed of the I-SaveRx program.

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**STATUS OF MANAGEMENT AUDIT**  
**SPECIAL ADVOCATE FOR PRESCRIPTION DRUGS**  
For the Year Ended June 30, 2008

- *With respect to travel the Special Advocate should: take the steps necessary to ensure that its staff seek documented prior approval when traveling out of State or out of country, as outlined in the Governor's Travel Control Board Travel Guide for State Employees; and, take the steps necessary to ensure that its staff follow travel regulations when being reimbursed for per diem when traveling out of country, or seek appropriate exceptions to the travel regulations.*

There were no travel expenses related to the I-SaveRx program and no Department staff traveled out of country during the current engagement.

The I-SaveRx program is no longer operational. According to Department officials, the last prescription was filled the 2<sup>nd</sup>-3<sup>rd</sup> week of January 2009. The I-SaveRx website was taken down on February 4, 2009. Therefore, these findings will not be repeated or followed up on in future compliance audits.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2008

**Illinois Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process**

Legislative Audit Commission Resolution Numbers 136 and 137 directed the Office of the Auditor General to conduct performance audits of the Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process. The audit was released in May 2008 and contained 13 recommendations. The Summary of Recommendation Status chart shows that HFS implemented or partially implemented 10 of the 13 recommendations.

<b>Summary of Recommendation Status</b>			
<b>Recommendations</b>	<b>Implemented?</b>		
	<b>Yes</b>	<b>Partially</b>	<b>No</b>
Prompt Payment Act Interest Calculation			<b>X</b>
Illinois Insurance Code Interest	<b>X</b>		
Medicaid Payment Schedule	<b>X</b>		
Expedited Payment Process		<b>X</b>	
One-Time Drop Payments		<b>X</b>	
Rejected Claim Notification		<b>X</b>	
Rejected Claim Resubmission Policy		<b>X</b>	
Rejected Claim Problems	<b>X</b>		
Requirements for Requesting Interest	<b>X</b>		
Notification for Denied Interest Requests		<b>X</b>	
Interest Calculation Process	<b>X</b>		
Exclusion of Interest Payments			<b>X</b>
Interest Payment Timeliness			<b>X</b>
<b>Totals</b>	<b>5</b>	<b>5</b>	<b>3</b>

STATE OF ILLINOIS  
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**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2008

<b>Recommendation:</b>	<b>Prompt Payment Act Interest Calculation</b>
<b>Recommendation No.:</b>	<b>1</b>

Synopsis of  
Prior Finding:

The methodology used by the Department of Healthcare and Family Services (HFS) to calculate prompt payment interest has been challenged by a group of long term care facilities through the Court of Claims. The claimants' position is that the method of calculating interest in Administrative Rule is inconsistent with the method of calculation prescribed by the Prompt Payment Act (Act). The Administrative Rule states that, "Interest is calculated at the rate of 1% per month. This results in a daily interest factor of .00033 (01/30)." The Act states that, "An interest penalty of 1.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of this 60 day period, until final payment is made."

In May 2007, the Court of Claims ruled in favor of the claimants that a per month calculation should be used. For example, for a claim that accrued interest for 6 days, the Administrative Rule would require  $6 \times .00033$  or 0.198 percent interest be paid. The Court's interpretation of the Act is that a full 1 percent interest must be paid for the 6 days. As a result, HFS paid these long term care facilities interest totaling \$1.6 million as opposed to \$1.1 million it would have paid following the interest calculation method prescribed by Administrative Rule.

An official from the Office of the General Counsel at HFS noted that HFS agrees with the opinion of the Court. Additionally, an HFS official from the Bureau of Claims Processing stated that HFS is bound by the Administrative Rule and is only applying the per month calculation on a case by case basis for those seeking interest payments through the Court of Claims.

We recommended that the Office of the Comptroller, the Department of Central Management Services, and the Department of Healthcare and Family Services should immediately resolve the differences in interpretations between the Administrative Rule (74 Ill. Adm. Code 900.100) and the Prompt Payment Act (30 ILCS 540/3-2) regarding the method used to calculate prompt payment interest.

Status:  
***Not Implemented***

The Department noted that it is not aware that the differences in interpretations have been resolved by the Comptroller and the Department of Central Management Services, but reaffirms that it will follow any changes to the Administrative Rule that those agencies make.

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2008

<b>Recommendation:</b>	<b>Illinois Insurance Code Interest</b>
<b>Recommendation No.:</b>	<b>2</b>

Synopsis of  
Prior Finding:

The Illinois Insurance Code has different requirements for interest accrual than the Prompt Payment Act. Applicable vendors include third-party administrators for the indemnity program. These administrators are CIGNA (medical claims administrator), Medco (prescription benefit manager), and CompBenefits (dental claims administrator). The State reimburses third-party administrators for payments to providers of claims incurred by members and dependents enrolled in these programs.

According to information provided by HFS officials, HFS paid \$2.3 million in interest to CIGNA and \$382,814 in interest to CompBenefits pursuant to the Illinois Insurance Code (215 ILCS 5/368a) in fiscal year 2006. HFS provided a list of providers that were paid interest owed by CompBenefits totaling \$382,814. HFS was not able to provide a complete list of providers that received the \$2.3 million in interest paid to CIGNA.

HFS officials provided a list of \$3.0 million in interest paid by CIGNA to providers (which included the \$2.3 million paid by HFS to CIGNA) but stated that CIGNA was not able to break out the providers paid under the State's responsibility and the providers paid under CIGNA's responsibility. As a result, HFS does not know who was paid the \$2.3 million in State interest through CIGNA and has no way to verify that the correct amount was paid.

We recommended that the Department should obtain appropriate documentation from contractors to show the amounts and purposes of funds being disbursed.

Status:  
**Implemented**

The Department provided fiscal year 2008 3<sup>rd</sup> and 4<sup>th</sup> quarter reports from CIGNA that detailed the late payment interest amount by client ID number. The report also detailed the interest amount owed due to the "hold cycle" and due to CIGNA processing time.

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For the Year Ended June 30, 2008

<b>Recommendation:</b>	<b>Medicaid Payment Schedule</b>
<b>Recommendation No.:</b>	<b>3</b>

Synopsis of  
Prior Finding:

Due to the lack of State funds to pay Medicaid claims, the Department of Healthcare and Family Services (HFS) had not paid Medicaid claims timely as required by the Prompt Payment Act. The Department used payment schedules to regulate payments and in most instances HFS does not submit approved claims immediately to the Comptroller for payment. In fiscal year 2006, it took HFS an average of 6 days to process claims; however, it took HFS an average of 57 days to submit claims to the Comptroller for payment. Payments are added to the payment schedule by HFS based on payment parameters for each provider type. The payment parameter is the number of days a Medicaid claim will be held by HFS before it is put on a payment schedule and submitted to the Comptroller for payment. According to HFS officials, HFS used the payment schedule to regulate payments throughout the year to ensure there is enough appropriation at the end of the fiscal year to continue to make weekly payments to the “expedited” providers, physicians, All Kids, and monthly Medicare premium payments. Expedited providers are those providers that are paid on an accelerated payment schedule.

HFS could not provide any documentation to support how the payment schedule and payment parameters were established. However, according to HFS officials, payment parameters were established based on the appropriation amount available for that provider type when compared to the predicted liability for that provider type. As an example, based on payment parameters provided by HFS, from September 1, 2006 until April 20, 2007, claims submitted by home health care providers were held at HFS for 118 days from receipt date (DCN date) before being eligible for payment.

We recommended that the Department should document how it determines when providers are paid and document its rationale and methodologies used to calculate provider payment parameters.

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Status:  
*Implemented*

The Department of Healthcare and Family Services provided a document titled HFS Policies and Procedures for Determining Payment Cycle Parameters drafted on August 21, 2008. The policy notes that the Bureau of Budget and Cash Management receives an initial number of expedited providers and their payment cycles. Using this information, along with liability estimates established by provider type, the amount of resources needed by line to pay expedited providers is established. The payment cycle parameters for non-expedited providers are then estimated by provider type from the remainder of the resources.

<b>Recommendation:</b>	<b>Expedited Payment Process</b>
<b>Recommendation No.:</b>	<b>4</b>

Synopsis of  
Prior Finding:

HFS did not have any written policies, procedures, or guidelines that delineate what documentation a provider must submit to HFS to receive expedited payments. Additionally, HFS had no policies or procedures that delineate the review process used to determine whether a provider initially meets, and continues to meet, the eligibility requirements of the Administrative Rule. HFS also lacked a comprehensive policy as to whether a provider needs to enter into an agreement with HFS to receive expedited payments.

From the 2,058 providers that were expedited as of October 18, 2007, we randomly sampled 66 providers. HFS had current signed agreements with 24 of the 66 providers sampled. The following issues were identified:

- **Lack of documentation to substantiate the emergency nature of the request.** For the 24 providers sampled that had current signed agreements, 19 did not have documentation from the providers for HFS to verify that the providers met the Administrative Rule's requirements to substantiate the emergency nature of the request. The only documentation was a letter from the providers attesting that they met the eligibility requirements;
- **Lack of documentation of the number of Medicaid clients served.** For 22 of the 24 providers sampled that had current signed agreements, there was no documentation to support that the provider met the significance requirements related to the number of Medicaid clients served as required by the Administrative Rule; and

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**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
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For the Year Ended June 30, 2008

Synopsis of  
Prior Finding  
(continued):

- **Outdated agreements and provider lists.** HFS did not have an annual application process to be an expedited provider for long term care and maternal and child health providers to ensure that the providers continue to meet the eligibility requirements. Additionally, expedited provider lists from Mt. Sinai and the University of Illinois at Chicago hospitals were not updated regularly by HFS.

We recommended that the Department develop written policies and procedures for reviewing, documenting, and approving all expedited providers to ensure that only providers that are eligible by the Administrative Rule receive expedited payments; and ensure provider agreements and provider lists are updated regularly for all expedited payments.

Status:

***Partially Implemented***

The Department provided auditors with documentation titled Expedited Payment Requests Procedures. The document lists steps to be taken to determine eligibility for expedited providers. These include checking the provider eligibility, the dollar amount pending, and the age of the claims. However, the procedures do not outline what, if any, documentation is to be prepared by HFS that verifies eligibility requirements were met and the basis for the decision.

Also, the procedures appear to require providers to submit “supportive documentation to substantiate the emergency nature of the request” as required by 89 Ill. Adm. Code 140.71(b)(3)(A)(ii). However, according to an HFS official, HFS only requires providers to submit an attestation of the emergency nature of the request.

HFS also provided policies and procedures for expediting long-term care providers. These policies now require an annual eligibility review of long-term care providers’ expedited status.

An HFS official noted that the expedited lists for both the University of Illinois at Chicago and at Mt. Sinai Hospital are not current, but will now be subject to annual re-evaluation.

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**STATUS OF MANAGEMENT AUDIT**  
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For the Year Ended June 30, 2008

<b>Recommendation:</b>	<b>One-Time Drop Payments</b>
<b>Recommendation No.:</b>	<b>5</b>

Synopsis of  
Prior Finding:

HFS used a poorly defined process to expedite payments to certain providers. These payments, referred to as “one-time drop” payments, were made to providers who, according to HFS officials, needed a one-time infusion of cash (such as having difficulty in making payroll or making quarterly tax payments). If a provider’s request was granted, HFS authorized the payment of any outstanding claims.

Management controls over the one-time drop payment process were deficient. There was no criteria and/or basis for these one-time drop payments included in the expedited payment section of the Administrative Rule (89 Ill. Adm. Code 140.71(b)) or in HFS’ policies or procedures. No policies or procedures existed to delineate the process for providers requesting or HFS’ review and approval of the need for a one-time drop payment. HFS did not require providers to submit a written request documenting their need or keep a log of one-time drop payment requests. According to HFS officials, these providers usually contacted HFS by phone and declared their emergency need to be paid.

During testing, auditors found that generally the only documentation to support one-time drop payments were the e-mails between HFS employees changing the payment parameters for these providers and an internal HFS spreadsheet which tracked the one-time drop payment requests. There was no log or consistent documentation showing who outside HFS requested the payment or whether HFS determined that an emergency need existed.

Auditors compared the one-time drop spreadsheet and e-mails and found neither was complete. HFS subsequently provided e-mails for all the one-time drops on the spreadsheet. However, the HFS official noted that the spreadsheet was not an “official” or all-inclusive list because other HFS staff may make requests for one-time drop payments for providers that may not be reflected on the spreadsheet. There were 178 one-time drop payments listed on the fiscal year 2007 spreadsheet, totaling \$5.7 million. These payments were made to 135 providers. Thirty-seven of the providers had 2 or 3 one-time drop payments in fiscal year 2007. Also, there were e-mails with the names for at least 40 one-time drop providers that did not appear on the spreadsheet.

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**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2008

Synopsis of  
Prior Finding  
(continued):

We recommended that the Department develop policies and procedures for authorizing one-time drop payments to providers. These policies should include criteria for eligibility and requirements for maintaining necessary documentation.

Status:  
***Partially Implemented***

The Department provided one-time drop request procedures and a copy of the “Request for One-time Expedited Payment” form. The procedures require the provider to submit the request in writing and to include the fiscal emergency and the dollar amount requested, and to complete the “one-time drop form.” According to an HFS official, HFS began using the form in September 2008.

Although the procedures require the review of the dollar amount pending and a determination of how old the claims are by HFS, the procedures do not list any eligibility criteria to assist the reviewer in making the decision whether or not to approve the one-time drop payment.

The procedures do not outline what, if any, documentation is to be prepared by HFS that verifies the eligibility requirements were met and its basis for the decision.

Although a one-time drop payment is a type of expedited payment, the procedures do not require the providers to submit “supportive documentation to substantiate the emergency nature of the request” as is required by 89 Ill. Adm. Code 140.71(b)(3)(A)(ii).

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2008

<b>Recommendation:</b>	<b>Rejected Claim Notification</b>
<b>Recommendation No.:</b>	<b>6</b>

Synopsis of  
Prior Finding:

HFS was unable to provide auditors with the date the claims were rejected as required by Administrative Rule (74 Ill. Adm. Code 900.30(b)(4)). As a result, in order to determine how long it took HFS to notify providers of a rejected claim, auditors calculated the number of days between receipt of the claim and the date the provider was notified of the rejection.

HFS was not notifying providers timely in instances where a claim contained at least one rejected service and at least one paid service. From our sample of rejected services, we found that for non-expedited providers it took HFS on average 87 days from the date of receipt to notify providers of a rejected service when the rejected service was submitted on a claim along with a service that was paid. Additionally, we found that in fiscal year 2006, it took an average of 77 days for non-expedited claims to be approved and paid. In this scenario, on average it would have taken 164 days for a claim to be rejected by HFS and to be processed and paid once corrected by the provider. The 164 days does not include days taken by the provider to originally submit the claim or days needed by the provider to resubmit the rejected services.

During calendar year 2006, we determined that HFS rejected services for reasons that were not listed in the error codes found in the provider handbook. We compared the error codes that HFS used to notify providers during calendar year 2006 with the list of error codes published in the provider handbook found on HFS' website. We identified 123 error codes HFS used for rejected services that were reported to providers in 2006 that were not on the list of error codes found in HFS' provider handbook. These error codes are used by providers to determine why a service was rejected so they can make the appropriate corrections in order to resubmit the rejected service within the required 12 month period.

The Department sends out paper remittance advices that can be thousands of pages in length and the rejected claims are often mixed in with claims that are paid. From our sample of rejected claims, we found one remittance advice sent to a laboratory that was 10,650 pages. As a result, providers must look through thousands of pages in order to identify claims that were not paid.

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**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2008

Synopsis of  
Prior Finding  
(continued):

We recommended that the Department:

- maintain the date the claim was rejected as required by 74 Ill. Adm. Code 900.30(b)(4);
- develop a process to notify providers as soon as possible of their rejected claims as required by 74 Ill. Adm. Code 900.70 to allow providers ample time to resubmit services that are rejected;
- update the list of error codes that is available to providers to include all codes currently being used to reject claims by HFS; and
- explore alternatives to notifying providers of rejected claims other than by sending hard copy remittance advices.

Status:  
*Partially Implemented*

The Department disagreed with the portion of the recommendation pertaining to documenting the claim rejection date and noted that it does maintain the dates of when claims are approved or rejected. The Department noted that the official date of action is the date of adjudication and is maintained in the Department's MMIS system for two years, in the Department's Medical Data Warehouse since 1996, and that archived data is also available. As noted in the report, auditors requested the rejected claim date on at least six different occasions and it was not provided. As a result, the recommendation was included in the report.

Regarding the recommendation to develop a process to notify providers as soon as possible of their rejected claims, the Department disagreed and continues to disagree with this recommendation. The Department has not developed a process to notify providers as soon as possible of their rejected claim and noted: "All rejected claims that have passed through the appropriate claims processing editing functions are already reported weekly to providers via the weekly rejected claim remittance advices. As is noted in the audit report, this notification occurs within an average of 12 calendar days from receipt of the claim. Notification of the dispensation of each service line on a paid claim is contained in the remittance advice, which can be delayed as a result of slow payment cycles. However, any provider may check the status of payment for every service on a claim processed for payment through the MEDI system. The status is available as soon as adjudication is complete, within approximately 6 days of receipt of the claim. This process is far superior and more efficient than any further mailing of paper status notification."

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Status (continued):

***Partially Implemented***

The submitting of weekly remittance advices does not result in timely notification to providers. As noted in the audit report, we found it took on average 87 days for HFS to notify providers of rejected services when the rejected service was submitted on a claim along with a service that was paid. Also, the Department notes that providers can check the status of their claims on the MEDI system. However, according to figures provided by the Department, approximately 22,000 providers do not use the MEDI system.

As a result of this recommendation, the Department updated its list of error codes on its website in August 2008.

In response to the recommendation to explore alternatives to notifying providers of rejected claims, the Department cited its use of the MEDI system. Additionally, the Department noted that there are 12,046 providers enrolled in a pilot program to received electronic remittance advices.

<b>Recommendation:</b>	<b>Rejected Claim Resubmission Policy</b>
<b>Recommendation No.:</b>	<b>7</b>

Synopsis of  
Prior Finding:

HFS did not pay all claims or notify all providers of rejected claims within 60 days in fiscal year 2006. HFS' provider handbook's guidance related to the resubmitting of Medicaid claims instructed providers to resubmit a claim if the claim has not appeared on a remittance advice after 60 days from the date the provider mailed the claim to HFS. The handbook states:

*The action taken on each claim processed is reported to the provider on Form DPA 194-M-1, Remittance Advice. If more than 60 days has elapsed since the mailing of a claim and the action taken on that claim by the Department has not appeared on a Remittance Advice, the provider must assume that the claim was not received by the Department. The provider should prepare a new original claim for submittal to the Department. It is the responsibility of the provider to assure that a claim is submitted timely.*

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2008

Synopsis of  
Prior Finding  
(continued):

We determined that the average time it takes HFS to notify providers of rejected services when billed with a paid service was 87 days, which is longer than the 60 days. Additionally, we determined that in fiscal year 2006, 46.1 million of the 94.8 million paid claims (49%) were not paid by HFS within 60 days. As a result, if the providers followed the instructions found in the handbook, the providers would unnecessarily be submitting numerous duplicate bills to HFS.

We recommended that the Department re-examine its policy that instructs providers to resubmit all claims that have not appeared on a remittance advice within 60 days.

Status:  
*Partially Implemented*

To address the recommendation, the Department made a revision to its Handbook for Providers of Medical Services in August 2008. The Handbook now instructs providers to “resubmit claims only if their claims fail to appear in the Medical Electronic Data Interchange (MEDI) System thirty (30) days after submission to the Department.” However, the revision does not provide guidance on rejected claim resubmission to the 39.5% of providers that do not use the MEDI System.

<b>Recommendation:</b>	<b>Rejected Claim Problems</b>
<b>Recommendation No.:</b>	<b>8</b>

Synopsis of  
Prior Finding:

As directed by Legislative Audit Commission Resolution Number 137, we surveyed Medicaid providers asking them to identify problems they may have encountered with the claims rejection process. The survey specifically asked providers how often they understood the reason(s) why the bill was rejected and whether or not they agreed with the decision to reject the claim. The majority of the providers (71%) responded that they usually or always understood the reason the claim was rejected. Fifteen percent responded that they rarely or never understood the reason.

Additionally, the majority of the providers (78%) responded that they sometimes, usually, or always agreed with the reason the claim was rejected. Twenty-two percent of the providers responded that they rarely or never agreed.

Sixty-seven percent of the providers responded that they had experienced a problem with the claims rejection process. Specific problems identified by providers included: HFS taking too long to deny claims; confusion why a claim was rejected; denial of clients after they had been approved; and denial for refilling a prescription too soon.

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
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**PROMPT PAYMENT ACT COMPLIANCE AND**  
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For the Year Ended June 30, 2008

Synopsis of  
Prior Finding  
(continued):

We recommended that the Department periodically survey providers to obtain their feedback on problems they are experiencing with the claims rejection process and ways it could be improved.

Status:  
**Implemented**

The Department provided auditors with examples of e-mails and notices that document policy changes or issues that the Department was made aware of as a result of provider feedback.

<b>Recommendation:</b>	<b>Requirements for Requesting Interest</b>
<b>Recommendation No.:</b>	<b>9</b>

Synopsis of  
Prior Finding:

HFS required providers to follow a cumbersome process to request interest. HFS required providers to submit requests for interest on a specified form that included significantly more information than required by Administrative Rule. Auditors determined through meetings with HFS officials and analysis of HFS data, the only information needed by HFS to process interest penalties for a provider is the document control number (DCN). HFS maintains databases according to the DCN and calculates the interest accrued by the DCN.

One of the additional requirements placed on providers by HFS that is not required by Administrative Rule, was an estimation of the amount of interest owed. Such an estimation process can be time intensive for providers, especially those which may have a large number of interest payments to claim. We tested 66 approved claims that were requested by providers for claims paid in fiscal year 2006 and found that 34 of the 66 providers (52%) calculated the estimated amount of interest owed incorrectly.

Medical Interest Payment Instructions also required providers to include the warrant date in their interest request, which is not required by Administrative Rule, may not be easily attainable by providers, and is of questionable need to HFS. Additionally, the description of warrant date information found in the instructions was incorrect. The instructions note that the warrant date “provides estimate of the date upon which the interest penalty begins to accrue.” The warrant date is actually the date the original claim is paid by the Comptroller and is the date upon which the interest penalty calculation ends.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
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For the Year Ended June 30, 2008

Synopsis of  
Prior Finding  
(continued):

We surveyed Medicaid providers and asked if they were aware that they could initiate a written request for interest penalty payments of at least \$5 but less than \$50. Of the 77 that responded to this question, 51 (66%) answered that they did not know they could request interest penalty payments from HFS.

We recommended that the Department:

- make its requirements for requesting interest less cumbersome by only requiring providers to submit information that is necessary to process the request;
- correctly define “warrant date” in its instructions; and
- consider sending an informational notice to providers reminding them of the Prompt Payment Act and the requirements for requesting interest.

Status:  
***Implemented***

The Department updated its interest request instructions on its website on August 18, 2008 to address this recommendation. The instructions now only require that providers provide the DCN, the DCN Date, and the Total Amount Allowed for DCN. The calculation of the Number of Days Interest Owed, Estimated Interest Owed, and Calculation of Estimated Interest Due are now listed as “optional” in the instructions.

The instructions were changed to correctly define “warrant date” as the date upon which the interest **ceases** to accrue.

The Department noted and we verified that it posted the information for providers on its website. The Department also noted it has worked with provider associations that have publicized the Act, Rule and interest request process to their members.

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
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<b>Recommendation:</b>	<b>Notification for Denied Interest Requests</b>
<b>Recommendation No.:</b>	<b>10</b>

Synopsis of  
Prior Finding:

HFS did not have a process in place to timely notify providers that their interest request will not be paid as required by Administrative Rule (74 Ill. Adm. Code 900.35). If HFS determined that a request for interest is denied, HFS is required by Administrative Rule to notify the provider within 60 days that the interest request was not payable under the Act. The notification must include the reason why the interest penalty was not going to be paid.

HFS reviewed and approved interest requests by document control number. If the interest request for one bill or part of that bill was denied while other bills on the same voucher were approved, the provider was not notified of the denied request until the payment for the bills with approved interest were received. We determined that in fiscal year 2006 it took HFS 452 days to pay providers their requested interest, as a result, the providers were not being notified in 60 days of the denial as required by Administrative Rule.

Interest Request Results reports are sent to providers after the interest payment is made by the Comptroller. These Interest Requests Results reports are not dated, and as a result, auditors could not determine when the reports were sent to providers. Additionally, HFS did not date stamp the requests for interest payment upon receipt. Without an actual date of receipt, HFS did not have the ability to ensure it is complying with the 60 day notification mandate required by Administrative Rule.

We recommended that the Department:

- notify providers within 60 days that their requests for interest penalty payments are denied as required by 74 Ill. Adm. Code 900.35;
- date Interest Request Result reports that are sent to providers; and
- date stamp interest requests upon receipt.

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
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For the Year Ended June 30, 2008

Status: According to an HFS official, interest requests that have aged one year are now run through the system quarterly to determine whether they are payable. As a result, HFS is not notifying providers of their rejected interest requests within the 60 days required by Administrative Rule.

*Partially Implemented*

The Department provided examples of the dated Requested Interest Denied Detail Reports and date stamped Medical Interest Penalty Request forms from providers.

<b>Recommendation:</b>	<b>Interest Calculation Process</b>
<b>Recommendation No.:</b>	<b>11</b>

Synopsis of  
Prior Finding:

Although the Prompt Payment Act (Act) required HFS to pay interest on Medicaid claims effective July 23, 1999, HFS did not pay automatically owed interest to providers until May 2007. The Act requires HFS to automatically pay interest to providers when interest penalties amount to \$50 or greater.

The process used by HFS to verify and calculate automatic interest owed to Medicaid providers was not an automated system; it consisted of a manual set of undocumented procedures applied by one individual at HFS. The process used to identify the universe of claims with interest owed was not documented in any policy or procedure manuals. There were no internal controls or management reviews over the calculation of automatic interest owed to providers. The interest database used by HFS was not password protected or encrypted to ensure the security of sensitive Medicaid claim information.

To identify the potential universe of claims eligible for automatic interest, a query was run from the data warehouse. HFS did not pull data off of the warehouse for at least one year after claims were paid in order to ensure that all adjustments have been made to the claims. HFS officials noted that this was done to make sure interest is being calculated on the correct amount and because HFS did not want to have to recoup any overpayments. After the data was extracted from the warehouse, a file was generated with the universe of claims in which the interest accrued was equal to or greater than \$5.

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Synopsis of  
Prior Finding  
(continued):

One individual at HFS was responsible for running additional queries using Microsoft Access to further identify the universe of claims with interest accrued of \$50 or greater, which are required to be paid automatically to the providers by HFS. Other steps to rename fields and exclude certain types of appropriation codes and providers were also completed by this individual. None of this process was documented by policies or procedures. Furthermore, there were no management controls over the calculation process; consequently, if this individual were to make an error in approving or denying interest, it would likely go undetected. These steps include excluding certain claims from interest payments.

We recommended that the Department:

- develop policies and procedures to document the process used for calculating, processing, and paying interest owed to Medicaid providers;
- automate the process used to calculate, process, review, and pay interest to Medicaid providers;
- segregate duties performed to verify and calculate interest claims; and
- ensure sensitive Medicaid claim information is adequately protected (password usage or encryption may be acceptable alternatives).

Status:  
***Implemented***

Since the release of the audit, the Department has developed and implemented a new automated system to calculate and pay prompt payment interest. The Department noted that the system automatically calculates interest owed to providers and sends a remittance on a quarterly basis (after the claim has aged at least a year) to those whose interest totals \$50 or more, as required by statute. Additionally, this system allows staff to verify the eligibility and amount of interest owed to providers who must, by statute, actively request interest. HFS states it is currently working on improving the system to allow for an automated request process as well.

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
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Status (continued):  
***Implemented***

According to the System Design Specification, the system still relies on considerable manual effort to update reference data and to identify exception providers or ineligible claims/providers. According to an HFS official, the new automated system was run parallel with the old manual system for the 2<sup>nd</sup> quarter of fiscal year 2007 to test the reliability of the new system. Once the system produced the same results as the old system, HFS began using the new automated system to calculate and pay interest for the 3<sup>rd</sup> quarter of fiscal year 2007.

The Department provided the Prompt Pay System Design Specifications for the newly created automated payment system. Additionally, the Department provided an Auto Prompt Pay Summary and a Prompt Pay Change Control Narrative both dated October 9, 2008.

There appears to be segregation of duties in place for the new automated system. One person is no longer responsible for the verifying and calculating prompt payment interest.

The new system is located on the Medical Data Warehouse which is password protected. Additionally, the user must have been granted previous access.

<b>Recommendation:</b>	<b>Exclusion of Interest Payments</b>
<b>Recommendation No.:</b>	<b>12</b>

Synopsis of  
Prior Finding:

HFS excluded certain claims from interest payments, some of which were not supported by Administrative Rule. In May 2007, after our audit began, HFS established an Exclusion Policy which listed several reasons why HFS would not pay accrued prompt payment interest to a provider. Some of the exclusions were supported by Administrative Rule; others, however, were not. Furthermore, HFS retroactively applied this Exclusion Policy to interest owed dating back to fiscal year 2000.

The audit questioned how HFS applied several of the exclusions. Additionally, HFS retroactively applied a May 2007 policy on claims with adjustments to claims dating back almost eight years. As a result, 43,264 interest claims were excluded from payment.

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
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Synopsis of  
Prior Finding  
(continued):

We recommended that the Department:

- examine its policies and procedures used to exclude claims from interest payment and include only those supported by law;
- not apply exclusions retroactively unless expressly permitted by law; and
- pay interest that has been withheld without legal support.

Status:  
*Not Implemented*

Although the Department notes in its updated response that this recommendation was implemented, the exclusion policy has not been updated to address the concerns from the audit. Additionally, an HFS official noted the new automated interest payment system uses the same exclusions that were used by the old system. HFS also responded that it has not made any determinations as to whether it is going to pay interest that was previously withheld without legal support.

<b>Recommendation:</b>	<b>Interest Payment Timeliness</b>
<b>Recommendation No.:</b>	<b>13</b>

Synopsis of  
Prior Finding:

The Department of Healthcare and Family Services is not paying interest to providers in a reasonable time as required by 74 Ill. Adm. Code 900.90. The only mandate found in statute or Administrative Rule relating to the timeframe for paying prompt payment interest is that agencies are to pay interest in a “reasonable time.”

We determined that the Department did not pay any automatic interest that accrued beginning in July 1999 until May 2007. Additionally, in fiscal year 2006, it took HFS an average of 452 days to pay providers their requested interest. Requested interest payments to providers over the last several fiscal years ranged from an average of 124 days in fiscal year 2005 to 452 days in fiscal year 2006.

According to HFS officials, the delay in payment is due to the decision by HFS to not pay interest for at least one year after the claim is paid.

We recommended that the Department pay interest penalties owed to providers in a reasonable time as required by 74 Ill. Adm. Code 900.90.

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
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Status:

*Not Implemented*

HFS officials were asked if they were still waiting at least 365 days before paying interest owed to providers. HFS noted that it is currently reviewing the policy. According to an HFS official, the new automated interest payment system uses quarterly data generated after the claims have aged one year. He said this is done since providers have one year to make adjustments to claims. As a result, no interest (automated or requested) that is owed to providers would be paid for at least one year.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

**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 unqualified opinions on the Department's financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

**SUMMARY OF FINDINGS**

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 13-30 of this report, as finding 08-1 (Financial statement preparation), finding 08-2 (Third party internal control reviews not obtained), 08-3 (Incomplete and inaccurate census data), 08-4 (No controls over Community College Health Insurance Security Fund contributions), finding 08-5 (Inappropriate use of appropriation authority), 08-6 (Insufficient controls over the University of Illinois Hospital Services Fund) and 08-7 (Incorrect health insurance premium rates charged). The auditors also consider finding 08-1 to be a material weakness.

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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, 2008, 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 the changes in financial position and, where applicable, cash flows 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, 2008, the changes in its financial position or, where applicable, its cash flows, 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 previously 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, 2008, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, the financial statements have been restated as of July 1, 2007 for prior year reporting errors.

As discussed in Note 2(o) and Note 10, the Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2009 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 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 accompanying supplementary combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules 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

June 26, 2009

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

**Statement of Net Assets**

June 30, 2008 (Expressed in Thousands)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Unexpended appropriations	\$ 175,815	\$ -	\$ 175,815
Cash equity with State Treasurer	204,471	9,023	213,494
Cash and cash equivalents	32,259	2,252	34,511
Due from other government - federal	1,273,358	34	1,273,392
Due from other government - local	81,831	99	81,930
Taxes receivable, net	8,079	-	8,079
Other receivables, net	152,494	271	152,765
Internal balances	4	(4)	-
Due from other State fiduciary funds	7	-	7
Due from other Department fiduciary funds	2	-	2
Due from other State funds	3,187	-	3,187
Due from State of Illinois component units	32,273	-	32,273
Prepaid expenses	23,157	-	23,157
Capital assets being depreciated, net	3,340	6	3,346
<b>Total assets</b>	<u>1,990,277</u>	<u>11,681</u>	<u>2,001,958</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	2,463,375	4,262	2,467,637
Due to other government - federal	26,523	2	26,525
Due to other government - local	270,350	-	270,350
Due to other State fiduciary funds	1,083	3	1,086
Due to other State funds	12,901	114	13,015
Due to State of Illinois component units	52,520	-	52,520
Long-term obligations:			
Due within one year	710	-	710
Due subsequent to one year	1,250,106	71	1,250,177
<b>Total liabilities</b>	<u>4,077,568</u>	<u>4,452</u>	<u>4,082,020</u>
<b>NET ASSETS</b>			
Invested in capital assets	3,340	6	3,346
Restricted for health and social services	977	-	977
Unrestricted	(2,091,608)	7,223	(2,084,385)
<b>Total net assets</b>	<u>\$ (2,087,291)</u>	<u>\$ 7,229</u>	<u>\$ (2,080,062)</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, 2008 (Expressed in Thousands)

Functions/Programs	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
	Operating Grants and Contributions	Charges for Services	Governmental Activities	Business-type Activities
<b>Primary government</b>				
Governmental activities				
Health and social services	\$ 7,404,531	\$ 1,756,932	\$ (5,024,100)	\$ (5,024,100)
Education	-	-	(648,471)	(648,471)
Employment and economic development	-	-	(44,299)	(44,299)
General government	-	-	(256,507)	(256,507)
Transportation	-	-	(214,301)	(214,301)
Public protection and justice	-	-	(581,727)	(581,727)
Environment and business regulation	-	-	(91,035)	(91,035)
Total governmental activities	7,404,531	1,756,932	(6,860,440)	(6,860,440)
Business-type activities				
Insurance programs	-	60,189		(1,025)
Total business-type activities	-	60,189		(1,025)
<b>Total primary government</b>	<b>\$ 7,404,531</b>	<b>\$ 1,817,121</b>		<b>(6,861,465)</b>
<b>General revenues</b>				
Appropriations from State Resources			8,879,063	8,879,063
Lapsed appropriations			(40,489)	(40,489)
Receipts collected and transmitted to State Treasury			-	-
Public utility taxes			(4,688,536)	(4,688,536)
Other taxes			17,264	17,264
Interest and investment income			1,006,844	1,006,844
Other revenues			11,958	12,693
Capital transfers to other State agencies			324,998	325,143
Amount of SAMS transfer-in			(9)	(9)
Amount of SAMS transfer-out			(214,699)	(214,699)
Transfer of administration of funds from other State agencies			44,700	44,700
Transfers-in			(38,122)	(38,122)
Transfers-out			2,410,513	2,410,513
Total general revenues and transfers			(2,449,281)	(2,449,281)
			5,264,204	5,265,084
Change in net assets			(1,596,236)	(1,596,381)
Net assets, July 1, 2007, as restated			(491,055)	(483,681)
Net assets, June 30, 2008			\$ (2,087,291)	\$ (2,080,062)

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, 2008 (Expressed in Thousands)

	General Fund	Road Fund	Other Nonmajor Funds	Total
<b>ASSETS</b>				
Unexpended appropriations	\$ 125,318	\$ -	\$ 50,497	\$ 175,815
Cash equity with State Treasurer	112,809	-	40,567	153,376
Cash and cash equivalents	332	-	-	332
Due from other government - federal	1,205,144	-	59,867	1,265,011
Due from other government - local	81,831	-	-	81,831
Taxes receivable, net	8,079	-	-	8,079
Other receivables, net	108,182	-	33,756	141,938
Due from other Department funds	-	-	827	827
Due from other State funds	3,018	-	-	3,018
Due from State of Illinois component units	24,425	-	-	24,425
<b>Total assets</b>	<b>\$ 1,669,138</b>	<b>\$ -</b>	<b>\$ 185,514</b>	<b>\$ 1,854,652</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,120,473	\$ -	\$ 62,942	\$ 2,183,415
Due to other government - federal	18,165	-	8,352	26,517
Due to other government - local	261,519	-	8,831	270,350
Due to other State fiduciary funds	607	-	468	1,075
Due to other Department funds	152,214	19,525	-	171,739
Due to other State funds	5,813	-	6,549	12,362
Due to State of Illinois component units	52,520	-	-	52,520
Unavailable revenue	428,396	-	1,391	429,787
<b>Total liabilities</b>	<b>3,039,707</b>	<b>19,525</b>	<b>88,533</b>	<b>3,147,765</b>
<b>FUND BALANCES (DEFICITS)</b>				
Reserved for encumbrances	9,560	-	6	9,566
Unreserved:				
General fund	(1,380,129)	-	-	(1,380,129)
Special revenue funds	-	(19,525)	96,975	77,450
<b>Total fund balances (deficits)</b>	<b>(1,370,569)</b>	<b>(19,525)</b>	<b>96,981</b>	<b>(1,293,113)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,669,138</b>	<b>\$ -</b>	<b>\$ 185,514</b>	<b>\$ 1,854,652</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, 2008**  
**(Expressed in Thousands)**

<b>Total fund balances-governmental funds</b>		<b>\$ (1,293,113)</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.		3,328
Prepaid expenses for governmental activities are current uses of financial resources for funds.		23,157
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		429,787
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	\$ (12,319)	
Net other postemployment benefit obligation	<u>(1,238,131)</u>	<u>(1,250,450)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ (2,087,291)</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, 2008 (Expressed in Thousands)

	General Fund	Road Fund	Other Nonmajor Funds	Total
<b>REVENUES</b>				
Operating grants - federal	\$ 6,574,315	\$ -	\$ 509,497	\$ 7,083,812
Other operating grants	802,750	-	-	802,750
Licenses and fees	16,669	-	971	17,640
Other charges for services	-	-	19,398	19,398
Interest and other investment income	7,840	-	-	7,840
Public utility taxes	-	-	17,264	17,264
Other taxes	1,740,840	-	-	1,740,840
Other	302,572	-	7	302,579
<b>Total revenues</b>	<u>9,444,986</u>	<u>-</u>	<u>547,137</u>	<u>9,992,123</u>
<b>EXPENDITURES</b>				
Health and social services	11,209,690	-	934,825	12,144,515
Education	345,872	-	-	345,872
Employment and economic development	8,641	-	-	8,641
General government	89,189	25,923	-	115,112
Transportation	109	102,884	-	102,993
Public protection and justice	283,384	26,326	-	309,710
Environment and business regulation	21,576	-	-	21,576
Capital outlays	593	-	271	864
<b>Total expenditures</b>	<u>11,959,054</u>	<u>155,133</u>	<u>935,096</u>	<u>13,049,283</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(2,514,068)</u>	<u>(155,133)</u>	<u>(387,959)</u>	<u>(3,057,160)</u>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>				
Appropriations from State resources	8,133,470	135,608	609,985	8,879,063
Lapsed appropriations	(32,416)	-	(8,073)	(40,489)
Receipts collected and transmitted to State Treasury	(4,445,863)	-	(242,673)	(4,688,536)
Amount of SAMS transfers-in	(214,695)	-	(4)	(214,699)
Amount of SAMS transfers-out	44,700	-	-	44,700
Transfer of administration of funds to other State agencies	(38,122)	-	-	(38,122)
Transfers-in	2,424,309	-	31,839	2,456,148
Transfers-out	(2,481,116)	-	(13,800)	(2,494,916)
<b>Net other sources (uses) of financial resources</b>	<u>3,390,267</u>	<u>135,608</u>	<u>377,274</u>	<u>3,903,149</u>
<b>Net change in fund balances</b>	876,199	(19,525)	(10,685)	845,989
Fund balances (deficits), July 1, 2007, as restated	<u>(2,246,768)</u>	<u>-</u>	<u>107,666</u>	<u>(2,139,102)</u>
<b>FUND BALANCES (DEFICITS), JUNE 30, 2008</b>	<u>\$ (1,370,569)</u>	<u>\$ (19,525)</u>	<u>\$ 96,981</u>	<u>\$ (1,293,113)</u>

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, 2008**  
**(Expressed in Thousands)**

<b>Net change in fund balances</b>		<b>\$ 845,989</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<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.</p>		(325)
<p>Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds. This amount represents the increase in prepaid expenses over the prior year.</p>		22,703
<p>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.</p>		(1,225,848)
<p>Some capital assets were transferred out to other State agencies and, therefore, no proceeds were received for the capital asset's value.</p>		(9)
<p>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.</p>		
Increase in compensated absences obligation	\$ (615)	
Increase in net other postemployment benefit obligation	(1,238,131)	(1,238,746)
<b>Change in net assets of governmental activities</b>		<b><u>\$ (1,596,236)</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 Net Assets -**  
**Proprietary Funds**

June 30, 2008 (Expressed in Thousands)

	Business-Type Activities - Nonmajor Enterprise Fund	Governmental Activities - Internal Service Fund
	Local Government Health Insurance Reserve Fund	Health Insurance Reserve Fund
<b>ASSETS</b>		
Cash equity with State Treasurer	\$ 9,023	\$ 51,095
Cash and cash equivalents	2,252	31,927
Due from other government - federal	34	8,347
Due from other government - local	99	-
Other receivables, net	271	10,556
Due from other State fiduciary funds	-	7
Due from other Department fiduciary funds	-	2
Due from other Department funds	-	170,916
Due from other State funds	-	169
Due from State of Illinois component units	-	7,848
<b>Total current assets</b>	<u>11,679</u>	<u>280,867</u>
Capital assets being depreciated, net	6	12
<b>Total assets</b>	<u>11,685</u>	<u>280,879</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	4,262	279,960
Due to other government - federal	2	6
Due to other State fiduciary funds	3	8
Due to other Department funds	4	-
Due to other State funds	114	539
Current portion of long-term obligations	-	20
<b>Total current liabilities</b>	<u>4,385</u>	<u>280,533</u>
Noncurrent portion of long-term obligations	71	346
<b>Total liabilities</b>	<u>4,456</u>	<u>280,879</u>
<b>NET ASSETS</b>		
Invested in capital assets	6	12
Unrestricted	7,223	(12)
<b>Total net assets</b>	<u>\$ 7,229</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 Revenues, Expenses and Changes in  
Fund Net Assets - Proprietary Funds**

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Business-Type Activities - Nonmajor Enterprise Fund	Governmental Activities - Internal Service Fund
	Local Government Health Insurance Reserve Fund	Health Insurance Reserve Fund
<b>OPERATING REVENUES</b>		
Charges for sales and services	\$ 60,189	\$ 1,756,113
<b>Total operating revenues</b>	<u>60,189</u>	<u>1,756,113</u>
<b>OPERATING EXPENSES</b>		
Benefit payments and refunds	60,313	1,777,992
Interest expense	-	2,493
General and administrative	898	12,203
Depreciation	3	4
<b>Total operating expenses</b>	<u>61,214</u>	<u>1,792,692</u>
<b>Operating income (loss)</b>	(1,025)	(36,579)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment income	735	4,118
Other revenues	145	32,461
<b>Change in net assets</b>	(145)	-
Net assets, July 1, 2007	<u>7,374</u>	<u>-</u>
<b>NET ASSETS, JUNE 30, 2008</b>	<u>\$ 7,229</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, 2008 (Expressed in Thousands)

	Business-Type Activities - Nonmajor Enterprise Fund	Governmental Activities - Internal Service Fund
	Local Government Health Insurance Reserve Fund	Health Insurance Reserve Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sales and services	\$ 60,132	\$ 350,265
Cash received from transactions with other funds	-	1,327,177
Cash payments to suppliers for goods and services	(61,512)	(1,757,456)
Cash payments to employees for services	(648)	(6,840)
Cash receipts from other operating activities	1,016	36,381
Net cash provided (used) by operating activities	<u>(1,012)</u>	<u>(50,473)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants received	-	33,182
Operating grants paid	160	-
Net cash provided (used) by noncapital financing activities	<u>160</u>	<u>33,182</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	-	(16)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(16)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends on investments	752	4,282
Net cash provided by investing activities	<u>752</u>	<u>4,282</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(100)</b>	<b>(13,025)</b>
Cash and cash equivalents, July 1, 2007	11,375	96,047
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2008</b>	<b>\$ 11,275</b>	<b>\$ 83,022</b>
<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	\$ 2,252	\$ 31,927
Add: cash equity with State Treasurer	9,023	51,095
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2008</b>	<b>\$ 11,275</b>	<b>\$ 83,022</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (1,025)</b>	<b>\$ (36,579)</b>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3	4
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	53	201
(Increase) decrease in intergovernmental receivables	(11)	-
(Increase) decrease in due from other funds	-	(77,312)
(Increase) decrease in due from State of Illinois component units	-	(715)
Increase (decrease) in accounts payable and accrued liabilities	(175)	64,574
Increase (decrease) in intergovernmental payables	2	2
Increase (decrease) in due to other funds	102	(693)
Increase (decrease) in other liabilities	39	45
Total adjustments	<u>13</u>	<u>(13,894)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (1,012)</b>	<b>\$ (50,473)</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 Fiduciary Net Assets**

June 30, 2008 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash equity with State Treasurer	\$ 76,295	\$ 16,445
Cash and cash equivalents	12,262	3,029
Receivables, net:		
Federal government	5,587	-
Employee	4,768	-
Employer	3,618	-
Interest and investment income	140	-
Other	6,251	199,847
<b>Total assets</b>	108,921	\$ 219,321
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	38,517	\$ 20,138
Intergovernmental payables	1	-
Due to other State fiduciary funds	1	-
Due to other Department funds	2	-
Due to other State funds	748	-
Other liabilities	-	199,183
Long-term obligations:		
Due within one year	2	-
Due subsequent to one year	73	-
<b>Total liabilities</b>	39,344	\$ 219,321
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS</b>	<b>\$ 69,577</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 Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 67,174
State	73,336
Plan members:	
Active	88,327
Retiree	151,730
Terminated employees	221
Federal Medicare Part D	21,667
Total contributions	<u>402,455</u>
Investment income:	
Interest and other investment income	<u>3,556</u>
Net investment income	<u>3,556</u>
<b>Total additions</b>	<u>406,011</u>
<b>DEDUCTIONS</b>	
Benefit payments and refunds	408,462
General and administration	3,324
<b>Total deductions</b>	<u>411,786</u>
<b>Net additions (deductions)</b>	(5,775)
Net assets held in trust for pension and other employee benefits, July 1, 2007	<u>75,352</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS, JUNE 30, 2008</b>	<u><u>\$ 69,577</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**

Notes to the Financial Statements

June 30, 2008

**(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 the Financial Statements

June 30, 2008

**(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, 2008, 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 functions 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:

**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

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

Notes to the Financial Statements

June 30, 2008

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** – This fund accounts 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.

**Pension (and other Employee Benefit) Trust** – These funds account for resources that are required to be held in trust for payment of postemployment benefits on-behalf of 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

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

Notes to the Financial Statements

June 30, 2008

nursing home assessments, hospital assessments, and intergovernmental grants. On an accrual 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 collected 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, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. 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, the Department of Corrections Reimbursement Fund, 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 the Financial Statements

June 30, 2008

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.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

Notes to the Financial Statements

June 30, 2008

(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 legally restricted to a specific future use or that are not available for appropriation or expenditure. 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 ending June 30, 2008, the Department adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Other Than Pensions*, which establishes standards of accounting and financial reporting for postemployment benefit plan (other than pension plans) expenditures, related liabilities or assets, note disclosures, and required supplementary information in the financial reports of states and local governmental employers.

**(p) Future Adoption of GASB Statements**

Effective for the year ending June 30, 2009, the Department will adopt GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes standards for accounting and financial reporting for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Department has not yet determined the impact of 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. Deposits in the custody of the State Treasurer are pooled and invested with

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other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). 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 is available within the State of Illinois' Comprehensive Annual Financial Report.

Cash on deposit for locally held funds of governmental activities, business-type activities, and fiduciary activities had carrying amounts and bank balances of \$1 thousand, \$38 thousand, and \$36 thousand, respectively, at June 30, 2008.

**(b) Investments**

As of June 30, 2008, the Department had the following investments outside of the State Treasury:

	<u>Fair Value (Thousands)</u>	<u>Book Value (Thousands)</u>	<u>Weighted Average Maturity (Years)</u>
<i>Governmental and Business-Type Activities</i>			
Repurchase agreements	\$ 5,616	\$ 5,616	0.003
Illinois Public Treasurers' Investment Pool	<u>28,856</u>	<u>28,856</u>	0.068
Total fixed income investments	<u>\$ 34,472</u>	<u>\$ 34,472</u>	
<i>Fiduciary Funds</i>			
Repurchase agreements	\$ 12,065	\$ 3,029	0.003
Illinois Public Treasurers' Investment Pool	<u>12,226</u>	<u>12,226</u>	0.068
Total fixed income investments	<u>\$ 24,291</u>	<u>\$ 15,255</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.

**Credit Risk:** The Department does not have a formal investment policy that limits investment choices. Of the total repurchase agreements of \$17.681 million, \$5.610 million were rated Aaa by Moody's and \$12.071 million were not subject to credit risk. The Illinois Public Treasurers' Investment Pool were rated AAAM by Standard & Poor's.

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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	\$ 39	\$ 34,472
Cash equivalents	<u>34,472</u>	<u>(34,472)</u>
<b>Amounts per Statement of Net Assets</b>	<b><u>\$ 34,511</u></b>	<b><u>\$ -</u></b>
<i>Fiduciary Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ 36	\$ 15,255
Cash equivalents	<u>15,255</u>	<u>(15,255)</u>
<b>Amounts per Statement of Fiduciary Net Assets</b>	<b><u>\$ 15,291</u></b>	<b><u>\$ -</u></b>

**(4) Accounts Receivable**

**(a) Taxes Receivable**

Taxes receivable (amounts expressed in thousands) at June 30, 2008 are as follows:

	<u>General Fund</u>
Taxes receivable	\$ 10,088
Less: allowance for uncollectible taxes	<u>(2,009)</u>
<b>Taxes receivable, net</b>	<b><u>\$ 8,079</u></b>

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**(b) Other Receivables**

Other receivables (amounts expressed in thousands) at June 30, 2008 are as follows:

	General Fund	Non-major Governmental Funds	Nonmajor Proprietary Fund	Internal Service Fund	Fiduciary Funds
Other receivables	\$ 141,727	\$ 705,401	\$ 271	\$ 10,556	\$2,967,067
Less: allowance for uncollectible accounts	(33,545)	(671,645)	-	-	(2,760,969)
<b>Other receivables, net</b>	<b>\$ 108,182</b>	<b>\$ 33,756</b>	<b>\$ 271</b>	<b>\$ 10,556</b>	<b>\$ 206,098</b>

**(5) Interfund Balances and Activity**

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

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due from Department funds and other State funds.

Fund	Due from				Description/Purpose
	Other Department Funds	Other State Funds	Other Department Fiduciary Funds	Other State Fiduciary Funds	
General	\$ -	\$ 3,018	\$ -	\$ -	Due from other State funds for subgrants unreceived.
Nonmajor governmental funds	827	-	-	-	Due from other State funds for unexpended subgrants made.
Internal service fund	170,916	169	2	7	Due from other funds for insurance benefits
	<u>\$ 171,743</u>	<u>\$ 3,187</u>	<u>\$ 2</u>	<u>\$ 7</u>	

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The following balances (amounts expressed in thousands) at June 30, 2008 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.

Fund	Due to		
	Other Department Funds	Other State Funds	Other State Fiduciary Funds
General	\$ 152,214	\$ 5,813	\$ 607
Road Fund	19,525	-	-
Nonmajor governmental funds	-	6,549	468
Nonmajor proprietary fund	4	114	3
Internal service fund	-	539	8
Fiduciary funds	2	748	1
	\$ 171,745	\$ 13,763	\$ 1,087

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*(b) Transfers to/from Other Funds*

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2008 were as follows:

Fund	Transfers in from		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 13,800	\$ 2,410,509	Transfers from the Tobacco Settlement Fund for Medicaid programs and short-term borrowing proceeds for the Hospital Provider program.
Nonmajor governmental funds	31,835	4	Transfer from General Fund per State appropriation.
	<u>\$ 45,635</u>	<u>\$ 2,410,513</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2008, were as follows:

Fund	Transfers out to		Description/Purpose
	Other Department Funds	Other State Funds	
General	\$ 31,835	\$ 2,449,281	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	-	Transfer to General Fund for Medicaid programs.
	<u>\$ 45,635</u>	<u>\$ 2,449,281</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, 2008 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.

Fund	Due from	
	General Fund	Internal Service Fund
Toll Highway Authority	\$ -	\$ 2,530
Chicago State University	-	46
Governors State University	-	120
Northeastern Illinois University	-	16
Western Illinois University	-	47
Illinois State University	-	854
Northern Illinois University	-	4
Southern Illinois University	-	19
University of Illinois	24,425	4,212
	<u>\$ 24,425</u>	<u>\$ 7,848</u>

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due to State of Illinois Component Units.

Fund	Due to	
	General Fund	Description/Purpose
University of Illinois	\$ 52,520	Medicaid expenditure reimbursements.
	<u>\$ 52,520</u>	

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**(6) Capital Assets**

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2008 is as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Governmental activities:</b>					
Capital assets being depreciated:					
Equipment	\$ 15,504	\$ 880	\$ 1,169	\$ (4,648)	\$ 10,567
Less accumulated depreciation:					
Equipment	<u>11,842</u>	<u>1,193</u>	<u>1,169</u>	<u>(4,639)</u>	<u>7,227</u>
Total capital assets being depreciated, net	<u>3,662</u>	<u>(313)</u>	<u>-</u>	<u>(9)</u>	<u>3,340</u>
Governmental activity capital assets, net	<u>\$ 3,662</u>	<u>\$ (313)</u>	<u>\$ -</u>	<u>\$ (9)</u>	<u>\$ 3,340</u>

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2008 was charged as follows:

Health and social services \$1,193

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Business-type activities:</b>					
Capital assets being depreciated:					
Equipment	\$ 9	\$ -	\$ -	\$ -	\$ 9
Less accumulated depreciation:					
Equipment	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
Business-type activity capital assets, net	<u>\$ 9</u>	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>

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**(7) Long-Term Obligations**

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2008 were as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
<b>Governmental activities:</b>					
Compensated Absences	\$ 12,025	\$ 10,895	\$ 10,235	\$ 12,685	\$ 710
Net other postemployment benefit obligation	-	1,238,131	-	1,238,131	-
<b>Total governmental activities</b>	<b>\$ 12,025</b>	<b>\$ 1,249,026</b>	<b>\$ 10,235</b>	<b>\$ 1,250,816</b>	<b>\$ 710</b>
<b>Business-type activities:</b>					
Compensated Absences	\$ 32	\$ 45	\$ 6	\$ 71	\$ -
<b>Total business-type activities</b>	<b>\$ 32</b>	<b>\$ 45</b>	<b>\$ 6</b>	<b>\$ 71</b>	<b>\$ -</b>
<b>Fiduciary funds:</b>					
Compensated Absences	\$ 68	\$ 59	\$ 52	\$ 75	\$ 2
<b>Total fiduciary funds</b>	<b>\$ 68</b>	<b>\$ 59</b>	<b>\$ 52</b>	<b>\$ 75</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) General Obligation Certificates**

The State is authorized to borrow up to 5% of the State's appropriations in a fiscal year to meet deficits in anticipated revenues. All such debt shall be retired from the revenues received in that fiscal year.

On September 25, 2007, the State issued \$1,200 million of general obligation certificates, which matured on November 9, 2007, with an interest rate of 4.25%. The certificates were issued to provide liquidity to the Hospital Provider Program (accounted for in the General Revenue Account) to make supplemental payments to certain public and non-public hospitals within the State of Illinois pursuant to the Medicaid State Plan. Proceeds from the certificates were deposited as follows: \$1,200 million into the General Revenue Account (a sub-account of the General Fund) and \$552 thousand of bond issuance premium into the General Obligation Bond Retirement and Interest Fund (a nonmajor governmental fund).

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On May 1, 2008, the State issued \$1,200 million of general obligation certificates, which matured on various dates through June 17, 2008, with an interest rate of 3.0%. The certificates were issued to provide mid-fiscal year liquidity to the General Revenue Account (a sub-account of the General Fund) and the Hospital Provider Program (accounted for in the General Revenue Account) to make supplemental inpatient and outpatient payments to certain public and non-public hospitals within the State of Illinois and other medical claims. Proceeds from the certificates were deposited as follows: \$1,200 million into the General Revenue Account (a sub-account of the General Fund) and \$843 thousand of bond issuance premium into the General Obligation Bond Retirement and Interest Fund (a nonmajor governmental fund).

Changes in general obligation certificates payable (amounts expressed in thousands) during the year ended June 30, 2008 are as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Governmental Activities:</b>				
General obligation certificates payable	\$ -	\$ 2,400,000	\$ 2,400,000	\$ -
Unamortized premiums	-	1,395	1,395	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,401,395</b>	<b>\$ 2,401,395</b>	<b>\$ -</b>

**(9) 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 2008 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. 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 2008, the employer contribution rate was 16.561%. 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

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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' 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.

**(10) Post-employment Benefits**

Effective July 1, 2007, the State implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires reporting on an accrual basis in the government-wide financial statements the expenses associated with providing other postemployment benefits ("OPEB") and a related liability for expenses which have not 1) been paid to or on behalf of annuitants or 2) irrevocably transferred to a trust, or equivalent arrangement, dedicated to providing benefits to annuitants which is protected from the creditors of the State. As the State implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008 and has implemented GASB Statement No. 45 prospectively, no initial OPEB liability has been recorded.

Plan Description: The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for postemployment benefits if they eventually become annuitants of one of the State sponsored pension plans. The Department of Healthcare and Family Services and the Department of Central Management Services administer these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (General Assembly Retirement System, Judges Retirement System, State Employees Retirement System, Teachers Retirement System, and the State Universities Retirement System). The portions of the Act related to other postemployment benefits establishes a single-employer defined benefit OPEB plan with a special funding situation for employees of the State's component unit universities. The plan does not issue a stand-alone financial report.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's employees. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes \$5,000.

Funding Policy and Annual Other Postemployment Benefits Cost: In accordance with the Act, the State contributes toward the cost of an annuitant's coverage under the basic program of group health, dental, and vision benefits an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service. For fiscal year 2008, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$6,071.04 (\$3,702.00 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$9,478.08 (\$4,735.44 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

For current employees, contributions are dependent upon annual salary and whether or not the employee chooses to receive benefits through a health maintenance organization. Current employee contribution rates to the plan are as follows:

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Employee Annual Salary	Annual Employee Health, Dental, and Vision Contribution Requirements	
	Benefits Through a Health Maintenance Organization	Benefits Provided Through Other Than a Health Maintenance Organization
	\$29,500 and below	\$540.00
\$29,501 - \$44,600	\$600.00	\$900.00
\$44,601 - \$59,300	\$630.00	\$930.00
\$59,301 - \$74,300	\$660.00	\$960.00
\$74,301 and above	\$690.00	\$990.00

The State's lack of funding requirement differs significantly from the annual other postemployment benefits cost ("AOPEBC") as pay-as-you-go does not conform with the GASB Statement No. 45 accounting parameters. The State's AOPEBC for the current year and related information (amounts expressed in thousands) are as follows:

Actuarially required contribution and annual other postemployment benefits cost	\$ 1,775,991
Benefits paid during the year	537,860
Increase in net other postemployment benefits obligation ("NOPEBO")	<u>1,238,131</u>
NOPEBO at June 30, 2007	-
NOPEBO at June 30, 2008	<u>\$ 1,238,131</u>

The AOPEBC, the percentage of AOPEBC contributed for the year, and the NOPEBO at the end of the year (amounts expressed in thousands) are as follows:

	6/30/2008
<b>Annual Other Postemployment Benefit Cost</b>	\$ 1,775,991
<b>% of AOPEBC Contributed</b>	30.29%
<b>Net Other Postemployment Benefits Obligation</b>	\$ 1,238,131

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Funded Status and Funding Progress: The funded status and funding progress of the State's OPEB plan (amounts expressed in thousands) are as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability ("AAL") Projected Unit Credit	(c) Unfunded AAL ("UAAL") (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c/e)
6/30/2007	\$ -	\$ 23,890,383	\$ 23,890,383	0.0%	\$ 6,872,740	347.6%

**Actuarial Methods and Assumptions.** Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State's other postemployment benefits plan, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. Information about actuarial methods and assumptions used in the actuarial valuation of the plan are as follows:

Actuarial valuation date of the actuarial required contribution	6/30/2007
Actuarial valuation date of the unfunded actuarial accrued liability	6/30/2007
Actuarial cost method	Proj. Unit Credit
Amortization method	Level % of pay
Remaining amortization period	30 years. Open
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return *	4.5%
Projected salary increases *	4.0%
Inflation rate	3%
Healthcare cost trend rate:	
Medical	9.0% grading down .5% per year over 8 years to 5.0%
Dental	6.0% grading down .5% per year over 2 years to 5.0%
Vision	5.0%

\* Includes inflation rate listed

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**(11) Fund Deficits**

The General Fund and the Low Income Home Energy Assistance Block Grant Fund, a nonmajor governmental fund, had deficit fund balances of \$1.371 billion and \$1 thousand, respectively, at June 30, 2008. The General Fund deficit results from the liabilities of the Medicaid program recognized at June 30, 2008 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 revenue. The deficit of the Low Income Home Energy Assistance Block Grant Fund will be eliminated through the future recognition of unavailable revenue.

**(12) 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 health and dental insurance benefit programs of the State. The Health Insurance Reserve Fund, an internal service fund, is used to account for these benefit programs, 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 and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded as liabilities in the amount of \$156.914 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 years ended June 30, 2007 and 2008.

<u>Year Ended June 30</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Decreases</u>	<u>Ending Balance</u>
2007	\$ 112,403	\$ 531,621	\$ 531,908	\$ 112,116
2008	\$ 112,116	\$ 545,252	\$ 500,454	\$ 156,914

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**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2008

**(13) 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. Financial statements for the LGHIRF may be obtained from the Department. As of June 30, 2008, there were 488 local governmental entities participating with approximately 5,694 employees, 3,821 dependents and 312 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. The Department issues a publicly available financial report that includes financial statements and required supplementary information for LGHIRF. The financial report may be obtained from the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois, 62763.

The responsibilities required of the Department are:

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

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 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

The LGHIRF had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2008.

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, 2008, 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, 2008 is as follows:

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Notes to the Financial Statements

June 30, 2008

Claims incurred and reported but not paid as of June 30	\$	1,149
Estimated liability for claims incurred but not reported		3,065
Total estimated liability for future claims	\$	<u>4,214</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	\$	60,501
Less: Liability for unpaid claims, beginning of year		4,402
Subtotal		<u>56,099</u>
Add: Liability for unpaid claims, end of year		4,214
Total benefit claim payments and refunds	\$	<u>60,313</u>

**(14) Other Postemployment Benefit Plans**

The Department administers, along with the retirement systems listed below, two funds which account for cost-sharing, multiple-employer defined benefit postemployment benefit plans (other than pension plans) for non-State employees.

For both plans, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Department issues a publicly available financial report that includes financial statements and required supplementary information for each plan. The financial reports may be obtained from the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois 62763.

**(a) Teacher Retirement Insurance Plan (TRIP)**

The TRIP is accounted for in the Teacher Health Insurance Security Fund which was established to provide health insurance for the Illinois Teachers' Retirement System (TRS) annuitants and dependent beneficiaries. As of June 30, 2008, there were 1,005 school districts participating with approximately 53,414 annuitants and 9,522 dependents covered. The Department works in conjunction with the Illinois Teachers' Retirement System to administer the TRIP. The responsibilities required of the Department are:

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

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Notes to the Financial Statements

June 30, 2008

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 0.84 percent contributions from active teachers and 0.63 percent contributions from school districts for program funding purposes

**(b) Community College Insurance Plan (CCIP)**

The CCIP is accounted for in the Community College Health Insurance Security Fund which was established to provide health and dental insurance for the Illinois community college retirees and dependent beneficiaries. As of June 30, 2008, there were 38 community colleges participating with approximately 4,299 annuitants and 863 dependents covered. The Department works in conjunction with the State Universities Retirement System (SURS) to administer the CCIP. 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 the 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 0.5 percent contributions from active community college employees and community college districts for program funding purposes

**(15) Commitments and Contingencies**

**(a) Operating leases**

The Department leases equipment, buildings and office space under 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 \$5.928 million for the year ended June 30, 2008.

**(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, 2008, there were no material questioned costs that have not been

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

Notes to the Financial Statements

June 30, 2008

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.

On June 30, 2008 the Department's appeal challenging the federal Centers for Medicare and Medicaid Services (CMS) disallowance of \$53.1 million in federal financial participation was pending before the U.S. Department of Health and Human Services Department Appeals Board. On September 29, 2008 the matter was settled for \$35.4 million payable as a supplemental grant to the State. The supplemental grant was received by the Department November 5, 2008.

**(c) *Litigation***

A statewide class action lawsuit existed at June 30, 2008 brought on behalf of individuals with mental retardation and other developmental disabilities (DD) who are allegedly required to reside in large privately-run congregate care institutions (ICF/DDs) as a condition of receiving services. On or about November 13, 2008, a settlement was reached in this matter, and presented to the Court. A Hearing has been scheduled for February 3, 2009 for approval by the Court. The DD program is run by the Department of Human Services (DHS) and implementation of the settlement will be from the DHS budget with federal claiming implications for HFS.

A class action lawsuit pending on June 30, 2008 remains pending. The suit was filed on behalf of residents of Institutions for Mental Diseases (IMD) who seek to be moved to a more integrated setting. The prayer for relief includes steps to be taken to enable plaintiffs to "receive services in the most integrated setting appropriate." HFS administers medical assistance services provided through IMDs. DHS would administer the program associated with any relief granted as a result of this pending litigation, with federal claiming implications for HFS.

A class action lawsuit pending on June 30, 2008 remains pending. This is a class action brought on behalf of Medicaid-eligible individuals with disabilities who desire to live in the community, but who are allegedly required to reside in skilled nursing facilities in Cook County as a condition of receiving services. On September 29, 2008, the Court certified that all Medicaid-eligible adults with disabilities in Cook County, Illinois, who are being, or may in the future be, unnecessarily confined to nursing facilities and who, with appropriate supports and services, may be able to live in a community setting. HFS administers medical assistance services provided through institutional settings. If relief is granted that results in the class receiving services in the community, that program is administered by DHS with federal claiming implications for HFS.

**(16) *Restatement***

Illinois Cares Rx (ICRx) beneficiaries are entitled to a Medicare Part D (Med D) wrap-around benefit under the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act (320 ILCS 25/). ICRx fills in the gaps in Med D coverage for which the beneficiary would otherwise be responsible. Coordinating Med D plans provide both the Med D benefit and the ICRx benefit at the point-of-sale. Med D was new in fiscal year 2006 and there was no history on which to base the drug liability estimates. Data was provided on the cost of the SeniorCare and Circuit Breaker programs to estimate how much of the cost would be shifted to Med D. The actual Med D costs were significantly lower than originally estimated for fiscal year

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Notes to the Financial Statements

June 30, 2008

2007, for which the financial impact was not reported. This resulted in an unrecorded advance to providers at June 30, 2007.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Activities</u>
<b>Net Assets, June 30, 2007, as previously reported</b>	\$ (2,277,592)	\$ 59,579	\$ (569,966)
Understatement of accounts receivable	<u>30,824</u>	<u>48,087</u>	<u>78,911</u>
<b>Net Assets, June 30, 2007, as restated</b>	<u>\$ (2,246,768)</u>	<u>\$ 107,666</u>	<u>\$ (491,055)</u>

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

Required Supplementary Information

June 30, 2008

**Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress  
(Unaudited)**

The following schedule of funding progress (dollar amounts in thousands) for the State of Illinois' other postemployment retirement benefits (health, dental, vision, and life insurance) is provided for fiscal year ended June 30, 2008.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability ("AAL") Projected Unit Credit	(c) Unfunded AAL ("UAAL") (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c/e)
6/30/2007	\$ -	\$ 23,890,383	\$ 23,890,383	0.0%	\$ 6,872,740	347.6%

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

June 30, 2008 (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	\$ 122,091	\$ -	\$ -	\$ 4	\$ -	\$ -	\$ -
Cash equity with State Treasurer	966	926	9,089	765	38,504	7,419	5,645
Cash and cash equivalents	332	-	-	-	-	-	-
Due from other government - federal	939,292	34,650	80,514	6,251	46,356	6,142	56,672
Due from other government - local	-	-	74,290	-	6,664	-	877
Taxes receivable, net	621	-	-	359	2,579	4,520	-
Other receivables, net	21,385	-	19	-	44	77	-
Due from other Department funds	82,506	-	-	-	-	-	-
Due from other State funds	84	-	-	-	28	-	-
Due from State of Illinois component units	-	24,425	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,167,277</b>	<b>\$ 60,001</b>	<b>\$ 163,912</b>	<b>\$ 7,379</b>	<b>\$ 94,175</b>	<b>\$ 18,158</b>	<b>\$ 63,194</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 2,002,266	\$ -	\$ -	\$ 3	\$ 69,703	\$ 12,072	\$ -
Due to other government - federal	245	-	-	-	2	-	-
Due to other government - local	-	-	163,912	-	24,457	-	63,047
Due to other State fiduciary funds	541	-	-	-	4	-	-
Due to other Department funds	155,426	12,866	-	-	-	-	147
Due to other State funds	5,396	-	-	1	9	-	-
Due to State of Illinois component units	5,285	47,135	-	-	-	-	-
Unavailable revenue	291,192	21,997	89,137	5,458	148	3	16,168
<b>Total liabilities</b>	<b>2,460,351</b>	<b>81,998</b>	<b>253,049</b>	<b>5,462</b>	<b>94,323</b>	<b>12,075</b>	<b>79,362</b>
<b>FUND BALANCES (DEFICITS)</b>							
Reserved for encumbrances	-	-	-	-	9,553	-	-
Unreserved, undesignated	(1,293,074)	(21,997)	(89,137)	1,917	(9,701)	6,083	(16,168)
Total fund balances (deficits)	(1,293,074)	(21,997)	(89,137)	1,917	(148)	6,083	(16,168)
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 1,167,277</b>	<b>\$ 60,001</b>	<b>\$ 163,912</b>	<b>\$ 7,379</b>	<b>\$ 94,175</b>	<b>\$ 18,158</b>	<b>\$ 63,194</b>

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

June 30, 2008 (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 Medical Matching 0575	Family Care 0720
<b>ASSETS</b>							
Unexpended appropriations	\$ -	\$ 3,223	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equity with State Treasurer	-	-	36,936	-	-	30	221
Cash and cash equivalents	-	-	-	-	-	-	-
Due from other government - federal	-	1,640	3,285	-	-	581	-
Due from other government - local	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Other receivables, net	-	-	85,190	-	-	-	2
Due from other Department funds	-	-	147	-	-	-	3,299
Due from other State funds	-	-	-	-	-	-	2,881
Due from State of Illinois component units	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 4,863</b>	<b>\$ 125,558</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 611</b>	<b>\$ 6,403</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ -	\$ 3,223	\$ 3,455	\$ -	\$ -	\$ -	\$ 4,791
Due to other government - federal	-	-	24	-	-	-	-
Due to other government - local	-	-	9,492	-	-	611	-
Due to other State fiduciary funds	-	-	56	-	-	-	-
Due to other Department funds	-	-	112,152	-	-	-	-
Due to other State funds	-	-	379	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	100
Unavailable revenue	-	-	3,188	-	-	460	-
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 3,223</b>	<b>\$ 128,746</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,071</b>	<b>\$ 4,891</b>
<b>FUND BALANCES (DEFICITS)</b>							
Reserved for encumbrances	-	-	4	-	-	-	-
Unreserved, undesignated	-	1,640	(3,192)	-	-	(460)	1,512
<b>Total fund balances (deficits)</b>	<b>\$ -</b>	<b>\$ 1,640</b>	<b>\$ (3,188)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (460)</b>	<b>\$ 1,512</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ -</b>	<b>\$ 4,863</b>	<b>\$ 125,558</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 611</b>	<b>\$ 6,403</b>

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

June 30, 2008 (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	-	-	-	-	-	\$ 125,318
Cash equity with State Treasurer	8,169	-	1,555	2,584	-	112,809
Cash and cash equivalents	-	-	-	-	-	332
Due from other government - federal	28,956	-	-	805	-	1,205,144
Due from other government - local	-	-	-	-	-	81,831
Taxes receivable, net	-	-	-	-	-	8,079
Other receivables, net	1,419	-	46	-	-	108,182
Due from other Department funds	42,429	-	-	-	(128,381)	-
Due from other State funds	-	-	-	25	-	3,018
Due from State of Illinois component units	-	-	-	-	-	24,425
<b>Total assets</b>	<b>\$ 80,973</b>	<b>\$ -</b>	<b>\$ 1,601</b>	<b>\$ 3,414</b>	<b>\$ (128,381)</b>	<b>\$ 1,669,138</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	24,205	-	4	751	-	\$ 2,120,473
Due to other government - federal	17,892	-	-	2	-	18,165
Due to other government - local	-	-	-	-	-	261,519
Due to other State fiduciary funds	-	-	1	5	-	607
Due to other Department funds	-	-	-	4	(128,381)	152,214
Due to other State funds	-	-	1	27	-	5,813
Due to State of Illinois component units	-	-	-	-	-	52,520
Unavailable revenue	-	-	2	643	-	428,396
<b>Total liabilities</b>	<b>42,097</b>	<b>-</b>	<b>8</b>	<b>1,432</b>	<b>(128,381)</b>	<b>3,039,707</b>
<b>FUND BALANCES (DEFICITS)</b>						
Reserved for encumbrances	1	-	-	2	-	9,560
Unreserved, undesignated	38,875	-	1,593	1,980	-	(1,380,129)
Total fund balances (deficits)	38,876	-	1,593	1,982	-	(1,370,569)
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 80,973</b>	<b>\$ -</b>	<b>\$ 1,601</b>	<b>\$ 3,414</b>	<b>\$ (128,381)</b>	<b>\$ 1,669,138</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, 2008 (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	\$ 3,795,460	\$ 154,089	\$ 657,951	\$ 20,117	\$ 389,469	\$ 1,204,831	\$ 125,511
Other operating grants	-	93,403	664,947	-	43,604	-	-
Licenses and fees	16,181	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-
Interest and other investment income	250	-	420	-	2,870	2,975	-
Other taxes	(116)	-	-	19,672	254,374	1,466,910	-
Other	302,572	-	-	-	-	-	-
<b>Total revenues</b>	<b>4,114,347</b>	<b>247,492</b>	<b>1,323,318</b>	<b>39,789</b>	<b>690,317</b>	<b>2,674,716</b>	<b>125,511</b>
<b>EXPENDITURES</b>							
Health and social services	7,272,886	263,683	1,337,666	61	710,017	1,210,828	127,299
Education	345,872	-	-	-	-	-	-
Employment and economic development	8,641	-	-	-	-	-	-
General government	89,189	-	-	-	-	-	-
Transportation	109	-	-	-	-	-	-
Public protection and justice	283,384	-	-	-	-	-	-
Environment and business regulation	21,576	-	-	-	-	-	-
Capital outlays	50	-	-	-	-	-	-
<b>Total expenditures</b>	<b>8,021,707</b>	<b>263,683</b>	<b>1,337,666</b>	<b>61</b>	<b>710,017</b>	<b>1,210,828</b>	<b>127,299</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,907,360)</b>	<b>(16,191)</b>	<b>(14,348)</b>	<b>39,728</b>	<b>(19,700)</b>	<b>1,463,888</b>	<b>(1,788)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	8,117,376	-	-	1,094	-	-	-
Lapsed appropriations	(28,515)	-	-	(1,033)	-	-	-
Receipts collected and transmitted to State Treasury	(4,400,885)	-	-	(39,647)	-	-	-
Amount of SAMS transfers-in	(214,695)	-	-	-	-	-	-
Amount of SAMS transfers-out	44,700	-	-	-	-	-	-
Transfer of administration of funds to other State agencies	-	-	-	-	-	-	-
Transfers-in	186,710	44,700	-	-	60,000	2,400,000	-
Transfers-out	(95,273)	(26,710)	-	-	-	(2,669,281)	-
<b>Net other sources (uses) of financial resources</b>	<b>3,609,418</b>	<b>17,990</b>	<b>-</b>	<b>(39,566)</b>	<b>60,000</b>	<b>(269,281)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(297,942)</b>	<b>1,799</b>	<b>(14,348)</b>	<b>142</b>	<b>40,300</b>	<b>1,194,607</b>	<b>(1,788)</b>
Fund balances (deficits), July 1, 2007, as restated	(995,132)	(23,796)	(74,789)	1,775	(40,448)	(1,188,524)	(14,380)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2008</b>	<b>\$ (1,293,074)</b>	<b>\$ (21,997)</b>	<b>\$ (89,137)</b>	<b>\$ 1,917</b>	<b>\$ (148)</b>	<b>\$ 6,083</b>	<b>\$ (16,168)</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, 2008 (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	\$ -	\$ 6,173	\$ 23,017	\$ 6,400	\$ 6,400	\$ 841	\$ -
Other operating grants	-	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-	-
Other charges for services	-	-	23,178	-	-	-	-
Interest and other investment income	-	-	-	-	-	-	43
Other taxes	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total revenues</b>	-	6,173	46,195	6,400	6,400	841	43
<b>EXPENDITURES</b>							
Health and social services	-	12,132	45,077	12,800	12,800	801	28,377
Education	-	-	-	-	-	-	-
Employment and economic development	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Public protection and justice	-	-	-	-	-	-	-
Environment and business regulation	-	-	-	-	-	-	-
Capital outlays	-	-	543	-	-	-	-
<b>Total expenditures</b>	-	12,132	45,620	12,800	12,800	801	28,377
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(5,959)	575	(6,400)	(6,400)	40	(28,334)
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	-	15,000	-	-	-	-	-
Lapsed appropriations	-	(2,868)	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(5,331)	-	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-
Transfer of administration of funds to other State agencies	(38,122)	-	-	-	-	-	-
Transfers-in	-	-	555	6,400	6,400	-	28,692
Transfers-out	-	-	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	(38,122)	6,801	555	6,400	6,400	-	28,692
<b>Net change in fund balances</b>	(38,122)	842	1,130	-	-	40	358
Fund balances (deficits), July 1, 2007, as restated	38,122	798	(4,318)	-	-	(500)	1,154
<b>FUND BALANCES (DEFICITS), JUNE 30, 2008</b>	\$ -	\$ 1,640	\$ (3,188)	\$ -	\$ -	\$ (460)	\$ 1,512

**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, 2008 (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	\$ 178,547	\$ 1,000	\$ -	\$ 4,509	\$ -	\$ 6,574,315
Other operating grants	-	-	-	796	-	802,750
Licenses and fees	-	-	488	-	-	16,669
Other charges for services	-	-	-	-	(23,178)	-
Interest and other investment income	1,222	-	60	-	-	7,840
Other taxes	-	-	-	-	-	1,740,840
Other	-	-	-	-	-	302,572
<b>Total revenues</b>	<b>179,769</b>	<b>1,000</b>	<b>548</b>	<b>5,305</b>	<b>(23,178)</b>	<b>9,444,986</b>
<b>EXPENDITURES</b>						
Health and social services	191,407	2,000	200	4,834	(23,178)	11,209,690
Education	-	-	-	-	-	345,872
Employment and economic development	-	-	-	-	-	8,641
General government	-	-	-	-	-	89,189
Transportation	-	-	-	-	-	109
Public protection and justice	-	-	-	-	-	283,384
Environment and business regulation	-	-	-	-	-	21,576
Capital outlays	-	-	-	-	-	593
<b>Total expenditures</b>	<b>191,407</b>	<b>2,000</b>	<b>200</b>	<b>4,834</b>	<b>(23,178)</b>	<b>11,959,054</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(11,638)</b>	<b>(1,000)</b>	<b>348</b>	<b>471</b>	<b>-</b>	<b>(2,514,068)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	-	-	-	-	8,133,470
Lapsed appropriations	-	-	-	-	-	(32,416)
Receipts collected and transmitted to State Treasury	-	-	-	-	-	(4,445,863)
Amount of SAMS transfers-in	-	-	-	-	-	(214,695)
Amount of SAMS transfers-out	-	-	-	-	-	44,700
Transfer of administration of funds to other State agencies	-	-	-	-	-	(38,122)
Transfers-in	-	1,000	-	-	(310,148)	2,424,309
Transfers-out	-	-	-	-	310,148	(2,481,116)
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,390,267</b>
<b>Net change in fund balances</b>	<b>(11,638)</b>	<b>-</b>	<b>348</b>	<b>471</b>	<b>-</b>	<b>876,199</b>
Fund balances (deficits), July 1, 2007, as restated	50,514	-	1,245	1,511	-	(2,246,768)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2008</b>	<b>\$ 38,876</b>	<b>\$ -</b>	<b>\$ 1,593</b>	<b>\$ 1,982</b>	<b>\$ -</b>	<b>\$ (1,370,569)</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2008 (Expressed in Thousands)

	Special Revenue				
	Illinois Prescription Drug Discount Program 0316	Provider Inquiry Trust 0341	Department of Corrections Reimbursement Fund 0523	Supplemental Low Income Energy Assistance 0550	Good Samaritan Energy Trust 0555
\$	-	-	-	4,840	-
	246	735	-	4,000	26
	-	-	26	-	-
	-	145	-	-	-
	-	-	-	-	-
<b>Total assets</b>	<b>246</b>	<b>880</b>	<b>26</b>	<b>8,840</b>	<b>26</b>

**ASSETS**

Unexpended appropriations  
 Cash equity with State Treasurer  
 Due from other government - federal  
 Other receivables, net  
 Due from other Department funds  
**Total assets**

**LIABILITIES**

Accounts payable and accrued liabilities  
 Due to other government - federal  
 Due to other government - local  
 Due to other State fiduciary funds  
 Due to other State funds  
 Unavailable revenue  
**Total liabilities**

**FUND BALANCES**

Reserved for encumbrances  
 Unreserved, undesignated  
 Total fund balances  
**Total liabilities and fund balances**

\$	1	-	-	3,223	-
	-	-	-	2	-
	-	-	-	1,570	-
	-	-	-	5	-
	-	126	-	40	-
	-	-	-	-	-
	1	126	-	4,840	-
\$	245	754	26	4,000	26
	245	754	26	4,000	26
<b>Total liabilities and fund balances</b>	<b>246</b>	<b>880</b>	<b>26</b>	<b>8,840</b>	<b>26</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
 June 30, 2008 (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	
<b>ASSETS</b>					
Unexpended appropriations	\$ 45,657	\$ -	\$ -	\$ -	\$ 45,657
Cash equity with State Treasurer	-	152	35,069	339	40,567
Due from other government - federal	39,549	398	12,446	7,448	59,867
Other receivables, net	20,801	-	12,810	-	33,756
Due from other Department funds	-	-	827	-	827
<b>Total assets</b>	<b>\$ 106,007</b>	<b>\$ 550</b>	<b>\$ 61,152</b>	<b>\$ 7,787</b>	<b>\$ 185,514</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 45,154	\$ 381	\$ 8,425	\$ 5,758	\$ 62,942
Due to other government - federal	4	1	8,342	3	8,352
Due to other government - local	-	163	5,105	1,993	8,831
Due to other State fiduciary funds	10	1	444	8	468
Due to other State funds	489	4	5,865	25	6,549
Unavailable revenue	1,284	-	106	1	1,391
<b>Total liabilities</b>	<b>46,941</b>	<b>550</b>	<b>28,287</b>	<b>7,788</b>	<b>88,533</b>
<b>FUND BALANCES</b>					
Reserved for encumbrances	-	1	5	-	6
Unreserved, undesignated	59,066	(1)	32,860	(1)	96,975
<b>Total fund balances</b>	<b>59,066</b>	<b>-</b>	<b>32,865</b>	<b>(1)</b>	<b>96,981</b>
<b>Total liabilities and fund balances</b>	<b>\$ 106,007</b>	<b>\$ 550</b>	<b>\$ 61,152</b>	<b>\$ 7,787</b>	<b>\$ 185,514</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, 2008 (Expressed in Thousands)

	Special Revenue					
	Illinois Prescription Drug Discount Program 0316	Provider Inquiry Trust 0341	Department of Corrections Reimbursement Fund 0523	Supplemental Low Income Energy Assistance 0550	Good Samaritan Energy Trust 0555	
<b>REVENUES</b>						
Operating grants - federal	\$ -	\$ -	114	\$ -	\$ -	-
Public utility taxes	-	-	-	17,264	-	-
License and fees	-	971	-	-	-	-
Other charges for services	-	-	-	-	-	-
Other	7	-	-	-	-	-
<b>Total revenues</b>	<b>7</b>	<b>971</b>	<b>114</b>	<b>17,264</b>		<b>-</b>
<b>EXPENDITURES</b>						
Health and social services	4	716	-	90,252	-	-
Capital outlays	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4</b>	<b>716</b>	<b>-</b>	<b>90,252</b>		<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3</b>	<b>255</b>	<b>114</b>	<b>(72,988)</b>		<b>-</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	-	-	98,185	-	-
Lapsed appropriations	-	-	-	(7,851)	-	-
Receipts collected and transmitted to State Treasury	-	-	(88)	(13,340)	-	-
Amount of SAMS transfers-in	-	-	-	(4)	-	-
Transfers-in	-	-	-	4	-	-
Transfers-out	-	-	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>-</b>	<b>(88)</b>	<b>76,994</b>		<b>-</b>
<b>Net change in fund balances</b>	<b>3</b>	<b>255</b>	<b>26</b>	<b>4,006</b>		<b>-</b>
Fund balances, July 1, 2007, as restated	242	499	-	(6)		26
<b>FUND BALANCES, JUNE 30, 2008</b>	<b>\$ 245</b>	<b>\$ 754</b>	<b>\$ 26</b>	<b>\$ 4,000</b>		<b>\$ 26</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, 2008 (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			
<b>REVENUES</b>							
Operating grants - federal	\$ 247,960	\$ 11,838	\$ 113,124	\$ 136,461	\$	\$ 509,497	
Public utility taxes	-	-	-	-	-	17,264	
License and fees	-	-	-	-	-	971	
Other charges for services	-	-	19,398	-	-	19,398	
Other	-	-	-	-	-	7	
<b>Total revenues</b>	<b>247,960</b>	<b>11,838</b>	<b>132,522</b>	<b>136,461</b>		<b>547,137</b>	
<b>EXPENDITURES</b>							
Health and social services	525,064	11,835	170,822	136,132		934,825	
Capital outlays	-	-	271	-		271	
<b>Total expenditures</b>	<b>525,064</b>	<b>11,835</b>	<b>171,093</b>	<b>136,132</b>		<b>935,096</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(277,104)</b>	<b>3</b>	<b>(38,571)</b>	<b>329</b>		<b>(387,959)</b>	
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	511,800	-	-	-		609,985	
Lapsed appropriations	(222)	-	-	-		(8,073)	
Receipts collected and transmitted to State Treasury	(229,245)	-	-	-		(242,673)	
Amount of SAMS transfers-in	-	-	-	-		(4)	
Transfers-in	-	-	31,835	-		31,839	
Transfers-out	(13,800)	-	-	-		(13,800)	
<b>Net other sources (uses) of financial resources</b>	<b>268,533</b>	<b>-</b>	<b>31,835</b>	<b>-</b>		<b>377,274</b>	
<b>Net change in fund balances</b>	<b>(8,571)</b>	<b>3</b>	<b>(6,736)</b>	<b>329</b>		<b>(10,685)</b>	
Fund balances, July 1, 2007, as restated	67,637	(3)	39,601	(330)		107,666	
<b>FUND BALANCES, JUNE 30, 2008</b>	<b>\$ 59,066</b>	<b>\$ -</b>	<b>\$ 32,865</b>	<b>\$ (1)</b>		<b>\$ 96,981</b>	

State of Illinois

Department of Healthcare and Family Services

Combining Statement of Fiduciary Net Assets

Pension (and Other Employee Benefit) Trust Funds

June 30, 2008 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
<b>ASSETS</b>			
Cash equity with State Treasurer	\$ 68,634	\$ 7,661	\$ 76,295
Cash and cash equivalents	10,994	1,268	12,262
Receivables, net:			
Federal government	5,137	450	5,587
Employee	4,598	170	4,768
Employer	3,449	169	3,618
Interest and investment income	125	15	140
Other	5,756	495	6,251
<b>Total assets</b>	<b>98,693</b>	<b>10,228</b>	<b>108,921</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	35,680	2,837	38,517
Intergovernmental payables	1	-	1
Due to other State fiduciary funds	1	-	1
Due to other Department funds	2	-	2
Due to other State funds	694	54	748
Long-term obligations:			
Due within one year	2	-	2
Due subsequent to one year	68	5	73
<b>Total liabilities</b>	<b>36,448</b>	<b>2,896</b>	<b>39,344</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS</b>	<b>\$ 62,245</b>	<b>\$ 7,332</b>	<b>\$ 69,577</b>

*State of Illinois*

*Department of Healthcare and Family Services*

**Combining Statement of Changes in Fiduciary Net Assets  
Pension (and Other Employee Benefit) Trust Funds**

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 63,458	\$ 3,716	\$ 67,174
State	68,596	4,740	73,336
Plan members:			
Active	84,611	3,716	88,327
Retiree	140,248	11,482	151,730
Terminated employees	209	12	221
Federal Medicare Part D	19,930	1,737	21,667
Total contributions	<u>377,052</u>	<u>25,403</u>	<u>402,455</u>
Investment income:			
Interest and other investment income	3,122	434	3,556
Net investment income	<u>3,122</u>	<u>434</u>	<u>3,556</u>
<b>Total additions</b>	<u>380,174</u>	<u>25,837</u>	<u>406,011</u>
<b>DEDUCTIONS</b>			
Benefit payments and refunds	380,852	27,610	408,462
General and administration	2,867	457	3,324
<b>Total deductions</b>	<u>383,719</u>	<u>28,067</u>	<u>411,786</u>
<b>Net additions (deductions)</b>	(3,545)	(2,230)	(5,775)
Net assets held in trust for pension and other employee benefits, July 1, 2007	<u>65,790</u>	<u>9,562</u>	<u>75,352</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS, JUNE 30, 2008</b>	<u>\$ 62,245</u>	<u>\$ 7,332</u>	<u>\$ 69,577</u>

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

**Combining Statement of Fiduciary Net Assets**

**Agency Funds**

June 30, 2008 (Expressed in Thousands)

	Child Support Enforcement Trust 0957	Child Support Enforcement Trust - SDU 2957	Total
<b>ASSETS</b>			
Cash equity with State Treasurer	\$ 16,445	\$ -	\$ 16,445
Cash and cash equivalents	274	2,755	3,029
Other receivables, net	199,758	89	199,847
<b>Total assets</b>	<b>\$ 216,477</b>	<b>\$ 2,844</b>	<b>\$ 219,321</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 17,294	\$ 2,844	\$ 20,138
Other liabilities	199,183	-	199,183
<b>Total liabilities</b>	<b>\$ 216,477</b>	<b>\$ 2,844</b>	<b>\$ 219,321</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, 2008 (Expressed in Thousands)

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
<b>Child Support Enforcement Trust (0957)</b>				
<b>ASSETS</b>				
Cash equity with State Treasurer	\$ 10,189	\$ 154,525	\$ 148,269	\$ 16,445
Cash and cash equivalents	183	63,101	63,010	274
Other receivables, net	171,903	182,380	154,525	199,758
<b>Total assets</b>	<b>\$ 182,275</b>	<b>\$ 400,006</b>	<b>\$ 365,804</b>	<b>\$ 216,477</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 11,218	\$ 32,676	\$ 26,600	\$ 17,294
Other liabilities	171,057	212,805	184,679	199,183
<b>Total liabilities</b>	<b>\$ 182,275</b>	<b>\$ 245,481</b>	<b>\$ 211,279</b>	<b>\$ 216,477</b>
<b>Child Support Enforcement Trust - SDU (2957)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,966	\$ 1,104,279	\$ 1,105,490	\$ 2,755
Other receivables, net	99	1,104,269	1,104,279	89
<b>Total assets</b>	<b>\$ 4,065</b>	<b>\$ 2,208,548</b>	<b>\$ 2,209,769</b>	<b>\$ 2,844</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 4,065	\$ 1,104,269	\$ 1,105,490	\$ 2,844
<b>Total liabilities</b>	<b>\$ 4,065</b>	<b>\$ 1,104,269</b>	<b>\$ 1,105,490</b>	<b>\$ 2,844</b>
<b>Total</b>				
<b>ASSETS</b>				
Cash equity with State Treasurer	\$ 10,189	\$ 154,525	\$ 148,269	\$ 16,445
Cash and cash equivalents	4,149	1,167,380	1,168,500	3,029
Other receivables, net	172,002	1,286,649	1,258,804	199,847
<b>Total assets</b>	<b>\$ 186,340</b>	<b>\$ 2,608,554</b>	<b>\$ 2,575,573</b>	<b>\$ 219,321</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 15,283	\$ 1,136,945	\$ 1,132,090	\$ 20,138
Other liabilities	171,057	212,805	184,679	199,183
<b>Total liabilities</b>	<b>\$ 186,340</b>	<b>\$ 1,349,750</b>	<b>\$ 1,316,769</b>	<b>\$ 219,321</b>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

**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
  - Locally Held Funds – Cash Basis Schedule
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts 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 - Medicaid Enrollment (Unaudited)
  - Emergency Purchases
  - Service Efforts and Accomplishments (Unaudited)

The accountants' 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 accountants' 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, 2008  
(expressed in thousands)

<u>Federal 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	\$ 6,440,526
State Survey and Certification of Health Care Providers and Suppliers	93.777	10,445
Total Medicaid Cluster		<u>6,450,971</u>
Child Support Enforcement	93.563	124,506
Low-Income Home Energy Assistance	93.568	137,933
Grants to States for Access and Visitation Programs	93.597	259
Child Support Enforcement Demonstrations and Special Projects	93.601	195
State Children's Insurance Program	93.767	343,955
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	207
Medicaid Transformation Grants	93.793	1,862
<b>Total U.S. Department of Health and Human Services</b>		<u><u>7,059,888</u></u>
<b>U.S. Department of Energy:</b>		
Weatherization Assistance for Low-Income Persons	81.042	12,051
<b>Total U.S. Department of Energy</b>		<u><u>12,051</u></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 7,071,939</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, 2008

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of the State of Illinois, Department of Healthcare and Family Services (the Department) for the year ended June 30, 2008 is presented on the cash basis of accounting for expenditures. Such basis differs from the modified accrual basis of accounting because it does not include costs incurred prior to the end of the year, but not paid, and includes costs paid during the current 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><b>Program Title</b></u>	<u>Federal CFDA Number</u>	<u>Amount Provided Subrecipients</u>
Medical Assistance Program	93.778	\$ 79,005
Child Support Enforcement	93.563	20,014
Grants to States for Access and Visitation Programs	93.597	259
Low-Income Home Energy Assistance	93.568	134,628
Weatherization Assistance for Low-Income Persons	81.042	11,690

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2008

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

The following summarizes the major federal programs for the year ended June 30, 2008.

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. More limited financial assistance is available to states for certain Medicare beneficiaries with higher incomes. 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 up to 83%. 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 enable them 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, 2008

**(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, 2008  
(expressed in thousands)

	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>P.A. 95-0011, 95-0348, 95-0718</b>						
<b>General Revenue Fund - 0001</b>						
Administrative:						
Program/Administrative Level	\$ 39,452	\$ 28,256	\$ 4,102	\$ 32,358	\$ 7,094	
Inspector General	18,871	15,792	925	16,717	2,154	
Attorney General	2,502	2,023	110	2,133	369	
Medical	64,667	50,318	4,590	54,908	9,759	
Deposit into Child Support Administrative Fund	38,952	31,008	827	31,835	7,117	
Group Insurance	1,055,038	997,576	57,462	1,055,038	-	
Healthcare Shared Services Center	3,753	3,390	226	3,616	137	
Total Administrative and Group Insurance	1,223,235	1,128,363	68,242	1,196,605	26,630	
Medical Assistance:						
Physicians	822,227	810,315	11,761	822,076	151	
Hospital In-Patient	2,820,649	2,809,303	11,305	2,820,608	41	
Prescribed Drugs	837,660	837,659	1	837,660	-	
Optometrists	22,151	22,120	29	22,149	2	
Podiatrists	4,596	4,582	9	4,591	5	
Chiropractors	1,455	1,454	1	1,455	-	
Federally Defined Institutions for Mental Diseases	113,940	111,192	2,748	113,940	-	
Supportive Living Facilities	76,949	76,811	137	76,948	1	
Skilled and Intermediate Long-Term Care	663,712	651,982	11,730	663,712	-	
Dentists	187,414	187,344	47	187,391	23	
Community Health Centers	265,107	263,454	1,648	265,102	5	
Appliances	71,187	71,185	-	71,185	2	
Independent Laboratories	41,811	40,772	1,039	41,811	-	
Transportation	97,821	97,818	3	97,821	-	
Other Related Medical Services	158,453	148,657	8,664	157,321	1,132	
Hospice Care	56,014	55,652	362	56,014	-	
Home Health Care, Therapy and Nursing Services	65,989	65,407	579	65,986	3	
Division of Special Care for Children	64,909	64,908	-	64,908	1	
Medicare Part A and B Premiums	290,521	290,521	-	290,521	-	
Renal Disease Medical Care	1,072	1,070	2	1,072	-	
Hemophilia Medical Care	11,904	11,823	-	11,823	81	
Sexual Assault Victims Medical Care	1,703	1,678	16	1,694	9	
Children Health Initiative	8,093	7,508	172	7,680	413	
Health Maintenance Organizations & Managed Care	205,543	205,529	-	205,529	14	
Gilead Outreach & Referral Center	500	-	500	500	-	
Oak Forest Hospital Grants	2,000	-	2,000	2,000	-	
Altgeld Clinic Grants	400	400	-	400	-	
Total Medical Assistance	6,893,780	6,839,144	52,753	6,891,897	1,883	
Kid Care Refunds	361	218	141	359	2	
<b>Total General Revenue Fund - 0001</b>	<b>\$ 8,117,376</b>	<b>\$ 7,967,725</b>	<b>\$ 121,136</b>	<b>\$ 8,088,861</b>	<b>\$ 28,515</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  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2008  
(expressed in thousands)

P.A. 95-0011, 95-0348, 95-0718	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>	\$ 135,608	\$ 135,608	-	\$ 135,608	-
Group Insurance					
<b>University of Illinois Hospital Services Fund - 0136</b>	\$ 245,000	\$ 244,855	-	\$ 244,855	\$ 145
U of I Hospital Services					
<b>Local Government Health Insurance Reserve Fund - 0193</b>					
Personal Services	\$ 68	\$ 68	-	\$ 68	-
State Contribution to State Employees' Retirement System	11	11	-	11	-
Social Security	5	5	-	5	-
Group Insurance	15	15	-	15	-
Contractual Services	55	3	-	3	52
Group Health Insurance	4,984	4,979	-	4,979	5
Total Local Government Health Insurance Reserve Fund - 0193	\$ 5,138	\$ 5,081	-	\$ 5,081	\$ 57
<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	1,249,679	32,450	1,282,129	698,990
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total County Hospital Services Fund - 0329	\$ 1,982,619	\$ 1,249,679	\$ 32,450	\$ 1,282,129	\$ 700,490
<b>Provider Inquiry Trust Fund - 0341</b>					
Provider Inquiry Services	\$ 1,500	\$ 589	\$ 125	\$ 714	\$ 786
<b>Care Provider for Persons with Developmental Disabilities Fund - 0344</b>					
Administrative Expenses	\$ 95	\$ 57	\$ 5	\$ 62	\$ 33
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total Care Provider for Persons with Developmental Disabilities Fund - 0344	\$ 1,095	\$ 57	\$ 5	\$ 62	\$ 1,033

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, 2008  
(expressed in thousands)

	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>P.A. 95-0011, 95-0348, 95-0718</b>						
<b>Long-Term Care Provider Fund - 0345</b>						
Administrative Expenses	\$ 2,218	\$ 948	\$ 37	\$ 985	\$ 1,233	
Healthcare Shared Services Center	65	55	3	58	7	
Long-Term Care Provider Services	979,328	718,077	102,546	820,623	158,705	
Overpayment Assessment Refunds	2,750	16	-	16	2,734	
Total Long-Term Care Provider Fund - 0345	\$ 984,361	\$ 719,096	\$ 102,586	\$ 821,682	\$ 162,679	
<b>Hospital Provider Fund - 0346</b>						
Hospitals	\$ 2,430,400	\$ 2,397,418	\$ 12,071	\$ 2,409,489	\$ 20,911	
Overpayment Assessment Refunds	5,000	-	-	-	5,000	
Total Hospital Provider Fund - 0346	\$ 2,435,400	\$ 2,397,418	\$ 12,071	\$ 2,409,489	\$ 25,911	
<b>Special Education Medicaid Matching Fund - 0355</b>						
	\$ 200,000	\$ 83,678	\$ 41,456	\$ 125,134	\$ 74,866	
<b>Trauma Center Fund - 0397</b>						
	\$ 15,000	\$ 8,909	\$ 3,223	\$ 12,132	\$ 2,868	
<b>Public Assistance Recoveries Trust Fund - 0421</b>						
Personal Services	\$ 7,680	\$ 6,630	\$ 308	\$ 6,938	\$ 742	
State Contribution to State Employees' Retirement System	1,275	1,106	53	1,159	116	
Social Security	588	489	23	512	76	
Group Insurance	2,102	1,646	74	1,720	382	
Contractual Services	26,081	7,993	3,201	11,194	14,887	
Travel	120	59	7	66	54	
Commodities	50	23	-	23	27	
Printing	25	3	1	4	21	
Equipment	2,304	592	157	749	1,555	
Telecommunications Services	320	54	14	68	252	
Healthcare Shared Services Center	874	646	33	679	195	
Total Public Assistance Recoveries Trust Fund - 0421	\$ 41,419	\$ 19,241	\$ 3,871	\$ 23,112	\$ 18,307	
<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>						
	\$ 98,185	\$ 85,494	\$ 4,840	\$ 90,334	\$ 7,851	
<b>Good Samaritan Energy Trust Fund - 0555</b>						
	\$ 2,150	\$ -	\$ -	\$ -	\$ 2,150	
<b>Juvenile Rehabilitation Services Medicaid Matching Fund- 0575</b>						
	\$ 8,500	\$ 843	\$ 100	\$ 943	\$ 7,557	
<b>Family Care Fund - 0720</b>						
	\$ 40,000	\$ 29,109	\$ 1,712	\$ 30,821	\$ 9,179	
<b>Drug Rebate Fund- 0728</b>						
	\$ 604,000	\$ 314,786	\$ 42,096	\$ 356,882	\$ 247,118	
<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	-	

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, 2008  
(expressed in thousands)

	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>P.A. 95-0011, 95-0348, 95-0718</b>						
Deposit into Post-Tertiary Clinical Services Fund	6,400	6,400	-	-	6,400	-
Prescribed Drugs	498,000	452,122	45,657	-	497,779	221
Total Tobacco Settlement Recovery Fund - 0733	\$ 511,800	\$ 465,922	\$ 45,657	\$ -	\$ 511,579	\$ 221
<b>Independent Academic Medical Center Fund - 0735</b>	\$ 2,000	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -
<b>Energy Administration Fund - 0737</b>						
Personal Services	264	210	7	7	217	47
State Contribution to State Employees' Retirement System	44	35	1	1	36	8
Social Security	20	16	-	-	16	4
Group Insurance	65	40	2	2	42	23
Contractual Services	255	4	-	-	4	251
Travel	40	17	1	1	18	22
Commodities	2	-	-	-	-	2
Equipment	9	-	-	-	-	9
Telecommunications Services	6	-	-	-	-	6
Operations of Auto Equipment	1	-	-	-	-	1
Weatherization Program Grants	250	-	-	-	-	250
Nonprofit Community Organization Grants	17,500	11,076	538	538	11,614	5,886
Energy Administrative Refunds	300	-	-	-	-	300
Total Energy Administration Fund - 0737	\$ 18,756	\$ 11,398	\$ 549	\$ -	\$ 11,947	\$ 6,809
<b>Medicaid Buy-in Program Revolving Fund - 0740</b>	\$ 300	\$ 194	\$ 6	\$ -	\$ 200	\$ 100

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, 2008  
(expressed in thousands)

P.A. 95-0011, 95-0348, 95-0718	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 Administration Fund - 0757</b>					
Personal Services	\$ 57,780	\$ 50,065	\$ 2,588	\$ 52,653	\$ 5,127
Employee Retirement Contributions paid by Employer	2,262	63	2	65	2,197
State Contribution to State Employees' Retirement System	9,592	8,301	429	8,730	862
Social Security	4,421	3,688	192	3,880	541
Group Insurance	15,176	12,547	629	13,176	2,000
Contractual Services	63,195	45,694	10,477	56,171	7,024
Travel	529	450	49	499	30
Commodities	319	192	7	199	120
Printing	163	103	60	163	-
Equipment	818	236	117	353	465
Electronic Data Processing	9	-	-	-	9
Telecommunications Services	3,688	2,309	830	3,139	549
Enhanced Collection Efforts & Paternity Adjudication Demo	13,059	8,633	784	9,417	3,642
Child Support Enforcement Demonstration Projects	1,400	478	201	679	721
State Disbursement Unit Costs	16,159	14,134	1,281	15,415	744
Healthcare Shared Services Center	2,596	1,897	114	2,011	585
Total Child Support Administration Fund - 0757	\$ 191,166	\$ 148,790	\$ 17,760	\$ 166,550	\$ 24,616
<b>Medical Special Purpose Trust Fund- 0808</b>	\$ 8,673	\$ 4,069	\$ 767	\$ 4,836	\$ 3,837
<b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>					
Personal Services	\$ 1,416	\$ 1,059	\$ 47	\$ 1,106	\$ 310
State Contribution to State Employees' Retirement System	235	177	7	184	51
Social Security	108	79	3	82	26
Group Insurance	261	195	11	206	55
Contractual Services	1,539	580	38	618	921
Travel	133	88	6	94	39
Commodities	8	-	-	-	8
Printing	65	3	9	12	53
Equipment	145	3	10	13	132
Telecommunications Services	586	50	8	58	528
Operations of Auto Equipment	3	-	-	-	3
System Development / Maintenance	1,037	686	-	686	351
Weatherization Program Grants	302,000	126,092	7,558	133,650	168,350
Low Income Home Energy Assistance Program Refunds	600	-	-	-	600
Total Low Income Home Energy Assistance Block Grant Fund - 0870	\$ 308,136	\$ 129,012	\$ 7,697	\$ 136,709	\$ 171,427
<b>Health Insurance Reserve Fund - 0907</b>					
Health Care Coverage	\$ 1,877,858	\$ 1,623,543	\$ 156,655	\$ 1,780,198	\$ 97,660
<b>TOTAL - ALL APPROPRIATED FUNDS</b>	\$ 17,861,990	\$ 15,672,696	\$ 594,762	\$ 16,267,458	\$ 1,594,532
<b>NON-APPROPRIATED FUNDS</b>					
Local Government Health Insurance Reserve Fund - 0193	N/A	\$ 53,060	\$ 1,277	\$ 54,337	N/A
Healthcare and Administrative Expenses					

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, 2008  
(expressed in thousands)

	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>P.A. 95-0011, 95-0348, 95-0718</b>	N/A	32	3	35	N/A	
Healthcare Shared Services Center		\$ 53,092	\$ 1,280	\$ 54,372		
Total Local Government Health Insurance Reserve Fund - 0193						
<b>Teacher Health Insurance Security Fund - 0203</b>	N/A	364	28	392	N/A	
Administrative Expenses		\$ 371,848	\$ 19,139	\$ 390,987		
Health Care Coverage		\$ 372,212	\$ 19,167	\$ 391,379		
Total Teacher Health Insurance Security Fund - 0203						
<b>Illinois Prescription Drug Discount Program Fund - 0316</b>	N/A	3	2	5	N/A	
Health Insurance Payments		\$ 3	\$ 2	\$ 5		
<b>Public Assistance Recoveries Trust Fund - 0421</b>	N/A	16,849	6,137	22,986	N/A	
Payment to Local Gov. for Serv to Recip.		\$ 203,566	\$ 13,910	\$ 217,476		
Federal Share Due To General Revenue Fund		383	-	383		
Refund of TPL Recoveries		239	-	239		
Refund of Non-TPL Recoveries		29	1	30		
Non-Administrative Expenses		59	15	74		
Early Intervention - Due DHS		\$ 221,125	\$ 20,063	\$ 241,188		
Total Public Assistance Recoveries Trust Fund - 0421						
<b>Community College Health Insurance Security Fund - 0577</b>	N/A	30	1	31	N/A	
Administrative Expenses		\$ 27,933	\$ 831	\$ 28,764		
Health Care Coverage		\$ 27,963	\$ 832	\$ 28,795		
Total Community College Health Insurance Security Fund - 0577						

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, 2008  
(expressed in thousands)

	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>P.A. 95-0011, 95-0348, 95-0718</b>						
<b>Child Support Enforcement Trust Fund - 0957</b>						
Redirects:						
Illinois TANF Excess Child Support Clients	N/A	\$ 1,993	\$ -	-	1,993	N/A
Out-of-State TANF Clients	N/A	10,610	-	-	10,610	N/A
Illinois Non-TANF Clients	N/A	96,352	-	-	96,352	N/A
Out-of-State Non-TANF Clients	N/A	40,206	-	-	40,206	N/A
<b>Total Redirects</b>		<b>149,161</b>	<b>-</b>	<b>-</b>	<b>149,161</b>	
Refunds/Payments to Other Agencies:						
Refund Responsible Relative - IRS Offsets	N/A	5,497	-	-	5,497	N/A
Refund Responsible Relative - IRS pre N/A	N/A	38	-	-	38	N/A
Refund Responsible Relative - State Offsets	N/A	856	1	-	857	N/A
Refund Responsible Relative - State pre N/A	N/A	5	-	-	5	N/A
Refund Responsible Relative - Courts or Third Parties	N/A	1,133	2	-	1,135	N/A
Refund Responsible Relative - Courts or Third Parties N/A Out of State	N/A	3	-	-	3	N/A
Refunds/IRS Offset Nonpublic Aid Clients	N/A	92	-	-	92	N/A
Refunds/State Offset Nonpublic Aid Clients	N/A	36	-	-	36	N/A
Refund - Nonassistance Clients	N/A	1,976	9	-	1,985	N/A
Unclaimed Property	N/A	3	-	-	3	N/A
Interest Penalty/State Refund	N/A	7	4	-	11	N/A
Interest Paid to Clients, DCFs, Others	N/A	1,185	-	-	1,185	N/A
Reimburse DCFS Title IV-E	N/A	2,156	301	-	2,457	N/A
Total Refunds/Payments to Other Agencies		<b>12,987</b>	<b>317</b>	<b>-</b>	<b>13,304</b>	
Total Child Support Enforcement Trust Fund - 0957		\$ 162,148	\$ 317	\$ -	\$ 162,465	
<b>TOTAL - ALL NON-APPROPRIATED FUNDS</b>		<b>\$ 836,543</b>	<b>\$ 41,661</b>	<b>\$ -</b>	<b>\$ 878,204</b>	
<b>ALL FUNDS</b>						
All Appropriated Funds		\$ 15,672,696	\$ 594,762	\$ -	\$ 16,267,458	
All Non-Appropriated Funds		836,543	41,661	-	878,204	
<b>GRAND TOTAL - ALL FUNDS</b>		<b>\$ 16,509,239</b>	<b>\$ 636,423</b>	<b>\$ -</b>	<b>\$ 17,145,662</b>	

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

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,**  
**EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<b>General Revenue Fund - 0001</b>		
Appropriations (net after transfers)	\$ 8,117,376	\$ 7,764,780
Expenditures:		
Administrative:		
Personal Services	58,100	57,184
Employee Retirement Contribution Paid by Employer	23	23
State Contribution to State Employees' Retirement System	9,644	6,601
Social Security	4,292	4,223
Contractual Services	20,246	23,375
Travel	771	699
Commodities	255	392
Printing	787	852
Equipment	282	377
Telecommunications Services	2,480	2,440
Operation of Auto Equipment	97	90
Medical Management Services	3,985	5,493
Information Systems (Medical Eligibility)	1,259	272
Med Level - Medical Data Warehouse	3,895	3,808
Deposit into Child Support Administrative Fund	31,835	31,008
Healthcare Shared Services Center	3,616	-
Total Administrative	<u>141,567</u>	<u>136,837</u>
Group Insurance	1,055,038	1,043,737
Medical Assistance	6,891,897	6,544,684
Kid Care Refunds	<u>359</u>	<u>95</u>
Total Expenditures	<u>8,088,861</u>	<u>7,725,353</u>
Lapsed Balances	<u>\$ 28,515</u>	<u>\$ 39,427</u>
<b>Road Fund - 0011</b>		
Appropriations (net after transfers)	\$ 135,608	\$ 130,520
Expenditures:		
Group Insurance	<u>135,608</u>	<u>130,520</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,**  
**EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<hr/>		
<b>University of Illinois Hospital Services Fund - 0136</b>		
Appropriations (net after transfers)	\$ 245,000	\$ 225,000
Expenditures:		
U of I Hospital Services	244,855	224,976
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 145</u>	<u>\$ 24</u>
<b>Local Government Health Insurance Reserve Fund - 0193</b>		
Appropriations (net after transfers)	\$ 5,138	\$ 100,068
Expenditures:		
Personal Services	68	548
State Contribution to State Employees' Retirement System	11	63
Social Security	5	40
Group Insurance	15	122
Contractual Services	3	102
Travel	-	15
Commodities	-	2
Printing	-	2
Equipment	-	14
Electronic Data Processing	-	10
Telecommunications Services	-	2
Operations of Auto Equipment	-	2
Group Health Insurance	4,979	61,370
Total Expenditures	<hr/> 5,081 <hr/>	<hr/> 62,292 <hr/>
Lapsed Balances	<u>\$ 57</u>	<u>\$ 37,776</u>
<b>Illinois Prescription Drug Discount Program Fund - 0316</b>		
Appropriations (net after transfers)	\$ 350	\$ 350
Expenditures:		
Health Insurance Expenses	-	-
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 350</u>	<u>\$ 350</u>

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<b>County Hospital Services Fund - 0329</b>		
Appropriations (net after transfers)	\$ 1,982,619	\$ 1,982,619
Expenditures:		
Administrative Expenses	-	-
Hospital Provider	1,282,129	1,464,584
Overpayment Assessment Refunds	-	-
Total Expenditures	<u>1,282,129</u>	<u>1,464,584</u>
Lapsed Balances	<u>\$ 700,490</u>	<u>\$ 518,035</u>
<b>Provider Inquiry Trust Fund - 0341</b>		
Appropriations (net after transfers)	\$ 1,500	\$ 1,500
Expenditures:		
Provider Inquiry Services	<u>714</u>	<u>621</u>
Lapsed Balances	<u>\$ 786</u>	<u>\$ 879</u>
<b>Care Provider for Persons with Developmental Disabilities Fund - 0344</b>		
Appropriations (net after transfers)	\$ 1,095	\$ 1,094
Expenditures:		
Administrative Expenses	62	68
Overpayment Assessment Refunds	-	-
Total Expenditures	<u>62</u>	<u>68</u>
Lapsed Balances	<u>\$ 1,033</u>	<u>\$ 1,026</u>

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,**  
**EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<b>Long-Term Care Provider Fund - 0345</b>		
Appropriations (net after transfers)	\$ 984,361	\$ 800,280
Expenditures:		
Administrative Expenses	985	920
Long-Term Care Provider Services	820,623	661,138
Overpayment Assessment Refunds	16	55
Healthcare Shared Services Center	58	-
Total Expenditures	<u>821,682</u>	<u>662,113</u>
Lapsed Balances	<u>\$ 162,679</u>	<u>\$ 138,167</u>
<b>Hospital Provider Fund - 0346</b>		
Appropriations (net after transfers)	\$ 2,435,400	\$ 2,430,400
Expenditures:		
Hospitals	2,409,489	1,215,193
Medical Assistance Providers	-	-
Total Expenditures	<u>2,409,489</u>	<u>1,215,193</u>
Lapsed Balances	<u>\$ 25,911</u>	<u>\$ 1,215,207</u>
<b>Special Education Medicaid Matching Fund - 0355</b>		
Appropriations (net after transfers)	\$ 200,000	\$ 140,000
Expenditures:		
Administrative Expenses	<u>125,134</u>	<u>120,230</u>
Lapsed Balances	<u>\$ 74,866</u>	<u>\$ 19,770</u>
<b>Trauma Center Fund - 0397</b>		
Appropriations (net after transfers)	\$ 15,000	\$ 15,000
Expenditures:		
Trauma Centers	<u>12,132</u>	<u>4,908</u>
Lapsed Balances	<u>\$ 2,868</u>	<u>\$ 10,092</u>

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<b>Public Assistance Recoveries Trust Fund - 0421</b>		
Appropriations (net after transfers)	\$ 41,419	\$ 36,243
Expenditures:		
Personal Services	6,938	7,011
State Contribution to State Employees' Retirement System	1,159	817
Social Security	512	521
Group Insurance	1,720	1,715
Contractual Services	11,194	12,698
Travel	66	66
Commodities	23	18
Printing	4	3
Equipment	749	320
Telecommunications Services	68	69
Healthcare Shared Services Center	679	-
Total Expenditures	<u>23,112</u>	<u>23,238</u>
Lapsed Balances	<u>\$ 18,307</u>	<u>\$ 13,005</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>

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<b>Supplemental Low Income Energy Assistance Fund - 0550</b>		
Appropriations (net after transfers)	\$ 98,185	\$ 97,900
Expenditures:		
Awards and Grants	<u>90,334</u>	<u>81,428</u>
Lapsed Balances	<u>\$ 7,851</u>	<u>\$ 16,472</u>
<b>Good Samaritan Energy Trust Fund - 0555</b>		
Appropriations (net after transfers)	\$ 2,150	\$ 2,150
Expenditures:		
Awards and Grants	<u>-</u>	<u>1,507</u>
Lapsed Balances	<u>\$ 2,150</u>	<u>\$ 643</u>
<b>Juvenile Rehabilitation Services Medicaid Matching Fund - 0575</b>		
Appropriations (net after transfers)	\$ 8,500	\$ 8,500
Expenditures:		
Juvenile Behavioral Health Services	<u>943</u>	<u>981</u>
Lapsed Balances	<u>\$ 7,557</u>	<u>\$ 7,519</u>
<b>Family Care Fund - 0720</b>		
Appropriations (net after transfers)	\$ 40,000	\$ 40,000
Expenditures:		
Medical Assistance	<u>30,821</u>	<u>25,008</u>
Lapsed Balances	<u>\$ 9,179</u>	<u>\$ 14,992</u>
<b>Drug Rebate Fund - 0728</b>		
Appropriations (net after transfers)	\$ 604,000	\$ 766,000
Expenditures:		
Prescribed Drugs	<u>356,882</u>	<u>535,749</u>
Lapsed Balances	<u>\$ 247,118</u>	<u>\$ 230,251</u>

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<b>Tobacco Settlement Recovery Fund - 0733</b>		
Appropriations (net after transfers)	\$ 511,800	\$ 388,953
Expenditures:		
Fund Transfers	13,800	13,800
Prescribed Drugs	497,779	374,691
Total Expenditures	<u>511,579</u>	<u>388,491</u>
Lapsed Balances	<u>\$ 221</u>	<u>\$ 462</u>
<b>Independent Academic Medical Center Fund - 0735</b>		
Appropriations (net after transfers)	\$ 2,000	\$ 2,000
Expenditures:		
Lump Sums	<u>2,000</u>	<u>2,000</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>
<b>Energy Administration Fund - 0737</b>		
Appropriations (net after transfers)	\$ 18,756	\$ 18,733
Expenditures:		
Personal Services	217	246
State Contribution to State Employees' Retirement System	36	29
Social Security	16	18
Group Insurance	42	52
Contractual Services	4	7
Travel	18	34
Commodities	-	-
Equipment	-	2
Telecommunications Services	-	-
Operations of Auto Equipment	-	-
Weatherization Program Grants	-	-
Nonprofit Community Organization Grants	11,614	13,790
Energy Administrative Refunds	-	-
Total Expenditures	<u>11,947</u>	<u>14,178</u>
Lapsed Balances	<u>\$ 6,809</u>	<u>\$ 4,555</u>

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<hr/>		
<b>Medicaid Buy-in Program Revolving Fund - 0740</b>		
Appropriations (net after transfers)	\$ 300	\$ 100
Expenditures:		
Medical Assistance	200	99
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 100</u>	<u>\$ 1</u>
<b>Child Support Administration Fund - 0757</b>		
Appropriations (net after transfers)	\$ 191,166	\$ 181,091
Expenditures:		
Personal Services	52,653	50,095
Employee Retirement Contribution Paid by Employer	65	63
State Contribution to State Employees' Retirement System	8,730	5,779
Social Security	3,880	3,686
Group Insurance	13,176	12,455
Contractual Services	56,171	54,979
Travel	499	446
Commodities	199	239
Printing	163	131
Equipment	353	1,333
Electronic Data Processing	-	-
Telecommunications Services	3,139	3,310
Enhanced Collection Efforts & Paternity Adjudication Demo	9,417	9,878
Child Support Enforcement Demonstration Projects	679	621
State Disbursement Unit Costs	15,415	15,030
Healthcare Shared Services Center	2,011	-
Total Expenditures	<hr/> 166,550	<hr/> 158,045
Lapsed Balances	<u>\$ 24,616</u>	<u>\$ 23,046</u>

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<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>4,836</u>	<u>2,182</u>
Lapsed Balances	<u>\$ 3,837</u>	<u>\$ 6,491</u>
<b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>		
Appropriations (net after transfers)	\$ 308,136	\$ 307,634
Expenditures:		
Personal Services	1,106	1,067
State Contribution to State Employees' Retirement System	184	123
Social Security	82	79
Group Insurance	206	211
Contractual Services	618	646
Travel	94	93
Commodities	-	2
Printing	12	52
Equipment	13	27
Telecommunications Services	58	53
Operations of Auto Equipment	-	-
System Development / Maintenance	686	481
Weatherization Program Grants	133,650	142,485
Low Income Home Energy Assistance Program Refunds	<u>-</u>	<u>-</u>
Total Expenditures	<u>136,709</u>	<u>145,319</u>
Lapsed Balances	<u>\$ 171,427</u>	<u>\$ 162,315</u>
<b>Health Insurance Reserve Fund - 0907</b>		
Appropriations (net after transfers)	\$ 1,877,858	\$ 1,785,234
Expenditures:		
Health Care Coverage	<u>1,780,198</u>	<u>1,742,781</u>
Lapsed Balances	<u>\$ 97,660</u>	<u>\$ 42,453</u>

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<b>TOTAL - ALL APPROPRIATED FUNDS</b>		
Appropriations (net after transfers)	\$ 17,861,990	\$ 17,260,422
Total Expenditures	<u>16,267,458</u>	<u>14,757,464</u>
Lapsed Balances	<u>\$ 1,594,532</u>	<u>\$ 2,502,958</u>
<b>NON-APPROPRIATED FUNDS</b>		
<b>Local Government Health Insurance Reserve Fund - 0193</b>		
Healthcare and Administrative Expenses	\$ 54,337	\$ -
Healthcare Shared Services Center	35	-
Total Expenditures	<u>\$ 54,372</u>	<u>\$ -</u>
<b>Teacher Health Insurance Security Fund - 0203</b>		
Administrative Expenses	\$ 392	\$ 2,086
Health Care Coverage	390,987	370,917
Total Expenditures	<u>\$ 391,379</u>	<u>\$ 373,003</u>
<b>Illinois Prescription Drug Discount Program Fund - 0316</b>		
Health Insurance Payments	<u>\$ 5</u>	<u>\$ 4</u>
<b>Public Assistance Recoveries Trust Fund - 0421</b>		
Payment to Local Gov. for Serv to Recip.	\$ 22,986	\$ 22,800
Federal Share Due To General Revenue Fund	217,476	213,607
Refund of TPL Recoveries	383	542
Refund of Non-TPL Recoveries	239	412
Non-Administrative Expenses	30	15
Early Intervention - Due DHS	74	40
Total Expenditures	<u>\$ 241,188</u>	<u>\$ 237,416</u>

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,**  
**EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<b>Community College Health Insurance Security Fund - 0577</b>		
Administrative Expenses	\$ 31	\$ 349
Health Care Coverage	28,764	24,330
Total Expenditures	<u>\$ 28,795</u>	<u>\$ 24,679</u>
<b>Child Support Enforcement Trust Fund - 0957</b>		
Redirect - Illinois TANF Excess Child Support Clients	\$ 1,993	\$ 2,128
Redirect - Out-of-State TANF Clients	10,610	10,090
Redirect - Illinois Non-TANF Clients	96,352	84,809
Redirect - Out-of-State Non-TANF Clients	40,206	36,874
Refund - IRS Offsets	5,497	4,271
Refund - IRS pre N/A	38	27
Refund - State Offsets	857	749
Refund - State pre N/A	5	2
Refund - Courts or Third Parties	1,135	1,256
Refund - Courts or Third Parties Out-of-State	-	1
Refund - Courts or Third Parties N/A Out-of-State	3	3
Refund - IRS Offset Nonpublic Aid Clients	92	49
Refund - State Offset Nonpublic Aid Clients	36	41
Refund - Nonassistance Clients	1,985	1,853
Unclaimed Property	3	6
Interest Penalty/State Refund	11	-
Interest Paid to Clients, DCFS, Others	1,185	627
Reimburse DCFS Title IV-E	2,457	1,861
Total Expenditures	<u>\$ 162,465</u>	<u>\$ 144,647</u>
<b>TOTAL - ALL NON-APPROPRIATED FUNDS</b>	<u>\$ 878,204</u>	<u>\$ 779,749</u>
<b>GRAND TOTAL - ALL FUNDS</b>	<u>\$ 17,145,662</u>	<u>\$ 15,537,213</u>

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**

For the Fiscal Years Ended June 30, 2008 and 2007

(expressed in thousands)

	Fiscal Year	
	2008	2007
	P.A. 95-0011	
	P.A. 95-0348	P.A. 94-0798
	P.A. 95-0718	P.A. 95-0144
<hr/>		
<b>State Officers' Salaries</b>		
<b>General Revenue Fund - 0001</b>		
Appropriations (net after transfers)	\$ 254	\$ 239
Expenditures:		
Director's salary (1)	137	129
Assistant Director's salary (1)	116	57
Total Expenditures	<u>253</u>	<u>186</u>
Lapsed Balances	<u>\$ 1</u>	<u>\$ 53</u>

(1) Note: State Officers' salaries are paid from the appropriation for 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, 2008  
(expressed in thousands)

	2008
<b><u>Public Aid Emergency Revolving Fund</u></b>	
An imprest fund used to provide emergency aid to recipients.	
Beginning balance	\$ 332
Receipts (including cash on hand and in-transit)	336
Disbursements	(342)
Ending balance	\$ 326
<b><u>Local Government Health Insurance Reserve Local Fund</u></b>	
Beginning balance	\$ 1,952
Receipts (including cash on hand and in-transit)	24,257
Disbursements	(23,957)
Ending balance	\$ 2,252
<b><u>Teacher Health Insurance Security Local Fund</u></b>	
Beginning balance	\$ 8,906
Receipts (including cash on hand and in-transit)	178,632
Disbursements	(176,545)
Ending balance	\$ 10,993
<b><u>Community College Health Insurance Security Local Fund</u></b>	
Beginning balance	\$ 610
Receipts (including cash on hand and in-transit)	14,520
Disbursements	(13,863)
Ending balance	\$ 1,267
<b><u>Health Insurance Reserve Local Fund</u></b>	
Beginning balance	\$ 39,061
Receipts (including cash on hand and in-transit)	677,970
Disbursements	(685,104)
Ending balance	\$ 31,927

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
For the Year Ended June 30, 2008  
(expressed in thousands)

	<u>Equipment</u>
Balance at July 1, 2007	\$ 34,503
Additions	1,268
Deletions	(2,307)
Net Transfers	(5,590)
Balance at June 30, 2008	\$ 27,874

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  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	2008	2007
<b>General Revenue Fund - 0001</b>		
Federal government	\$ 3,867,738	\$ 3,792,965
Federal reimbursable portion due from the Public Assistance Recoveries Trust Fund	215,017	206,734
Investment income	283	486
Local Illinois governmental units	302,091	307,338
Recipient collections	15,688	10,680
Fund transfers	7	7
Miscellaneous	-	1
Total cash receipts per Department	4,400,824	4,318,211
Less - In transit at End of Year	(763)	(520)
Plus - In transit at Beginning of Year	520	625
Plus - PY Refunds/Warrant Voids on Comptroller's Report	304	184
Total cash receipts per State Comptroller's Records	\$ 4,400,885	\$ 4,318,500
 <b>University of Illinois Hospital Services Fund - 0136</b>		
Federal government	\$ 147,633	\$ 137,410
Other Illinois State agencies	79,187	83,970
Total cash receipts per Department	226,820	221,380
Less - In transit at End of Year	(926)	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 225,894	\$ 221,380
 <b>Community Developmental Disability Services Medicaid Trust Fund - 0142</b>		
Federal government	\$ 21,214	\$ 20,437
Total cash receipts per Department	21,214	20,437
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 21,214	\$ 20,437

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

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	2008	2007
<b>Illinois Veterans Assistance Fund - 0236</b>		
Insurance Premiums	\$ 37	\$ 7
Total cash receipts per Department	37	7
Less - In transit at End of Year	(2)	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 35	\$ 7
 <b>County Hospital Services Fund - 0329</b>		
Federal government	\$ 653,815	\$ 718,627
Provider participation fees	659,845	719,966
Total cash receipts per Department	1,313,660	1,438,593
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	1,619	-
Total cash receipts per State Comptroller's Records	\$ 1,315,279	\$ 1,438,593
 <b>Provider Inquiry Trust Fund - 0341</b>		
User Fees/Private Organizations or Individuals	\$ 864	\$ 848
Total cash receipts per Department	864	848
Less - In transit at End of Year	(66)	(85)
Plus - In transit at Beginning of Year	85	54
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 883	\$ 817

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

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	2008	2007
<b>Care Provider For Persons with Developmental Disabilities Fund - 0344</b>		
Federal government	\$ 20,843	\$ 20,298
Provider taxes	19,567	20,647
Total cash receipts per Department	40,410	40,945
Less - In transit at End of Year	(765)	(1)
Plus - In transit at Beginning of Year	1	8
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 39,646	\$ 40,952
 <b>Long-Term Care Provider Fund - 0345</b>		
Federal government	\$ 371,821	\$ 346,726
Provider taxes	52,998	50,935
Federal monies via other State agencies	88	92
Local governmental units	43,253	76,052
Total cash receipts per Department	468,160	473,805
Less - In transit at End of Year	(5,503)	(221)
Plus - In transit at Beginning of Year	221	4,745
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	2
Total cash receipts per State Comptroller's Records	\$ 462,878	\$ 478,331
 <b>Hospital Provider Fund - 0346</b>		
Federal government	\$ 1,199,064	\$ 613,882
Provider taxes	1,462,824	732,785
Total cash receipts per Department	2,661,888	1,346,667
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 2,661,888	\$ 1,346,667

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

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	<u>2008</u>	<u>2007</u>
<b>Special Education Medicaid Matching Fund - 0355</b>		
Federal government	\$ 93,960	\$ 119,263
Total cash receipts per Department	93,960	119,263
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	195
Total cash receipts per State Comptroller's Records	<u>\$ 93,960</u>	<u>\$ 119,458</u>
 <b>Trauma Center Fund - 0397</b>		
Federal government	\$ 5,331	\$ 2,807
Total cash receipts per Department	5,331	2,807
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 5,331</u>	<u>\$ 2,807</u>
 <b>Protest Fund - 0401</b>		
Health Care Provider Tax	\$ 24	\$ 18
Total cash receipts per Department	24	18
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 24</u>	<u>\$ 18</u>

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

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	2008	2007
<b>Public Assistance Recoveries Trust Fund - 0421</b>		
Federal government	\$ 22,992	\$ 31,624
Recipient collections	26,848	28,043
3rd party collections - Pharmacy assistance	19	310
Court and anti-trust distributions	-	1
Private organizations or individuals	391,447	431,486
Total cash receipts per Department	441,306	491,464
Less - In transit at End of Year	(18,919)	(36,107)
Plus - In transit at Beginning of Year	36,107	5,064
Plus - PY Refunds/Warrant Voids on Comptroller's Report	3	-
Total cash receipts per State Comptroller's Records	\$ 458,497	\$ 460,421
 <b>Medical Research &amp; Development Fund - 0486</b>		
Federal government	\$ 6,400	\$ 6,400
Fund transfers	6,400	6,400
Total cash receipts per Department	12,800	12,800
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 12,800	\$ 12,800
 <b>Post-Tertiary Clinical Services Fund - 0487</b>		
Federal government	\$ 6,400	\$ 6,400
Fund transfers	6,400	6,400
Total cash receipts per Department	12,800	12,800
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 12,800	\$ 12,800

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

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	2008	2007
<b>Early Intervention Services Revolving Fund - 0502</b>		
Federal government	\$ 33,828	\$ 36,231
Total cash receipts per Department	33,828	36,231
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 33,828	\$ 36,231
 <b>Department of Corrections Reimbursement Fund - 0523</b>		
Federal government	\$ 88	\$ 1
Total cash receipts per Department	88	1
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 88	\$ 1
 <b>Supplemental Low-Income Energy Assistance - 0550</b>		
Private organizations or individuals	\$ 17,264	\$ 1,500
Total cash receipts per Department	17,264	1,500
Less - In transit at End of Year	(4,000)	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	76	193
Total cash receipts per State Comptroller's Records	\$ 13,340	\$ 1,693
 <b>Good Samaritan Energy Trust Fund - 0555</b>		
Private organizations or individuals	\$ 1	\$ 5
Total cash receipts per Department	1	5
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 1	\$ 5

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

For the Years Ended June 30, 2008 and 2007  
(expresses in thousands)

	2008	2007
<b>Juvenile Rehabilitation Services Medicaid Matching Fund - 0575</b>		
Federal government	\$ 1,206	\$ 798
Total cash receipts per Department	1,206	798
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 1,206	\$ 798
 <b>Community Mental Health Medicaid Trust Fund - 0718</b>		
Federal government	\$ 85,426	\$ 84,422
Total cash receipts per Department	85,426	84,422
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 85,426	\$ 84,422
 <b>Family Care Fund - 0720</b>		
Other Illinois State agencies	\$ 9,280	\$ 9,281
Reimbursements	19,852	14,868
Total cash receipts per Department	29,132	24,149
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 29,132	\$ 24,149

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

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	2008	2007
<b>Drug Rebate Fund - 0728</b>		
Federal government	\$ 177,901	\$ 247,582
Total cash receipts per Department	177,901	247,582
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	1
Total cash receipts per State Comptroller's Records	\$ 177,901	\$ 247,583
<b>Tobacco Settlement Recovery Fund - 0733</b>		
Federal government	\$ 229,245	\$ 283,448
Total cash receipts per Department	229,245	283,448
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 229,245	\$ 283,448
<b>Independent Academic Medical Center Fund - 0735</b>		
Federal government	\$ 1,000	\$ 1,000
Fund transfers	1,000	1,000
Total cash receipts per Department	2,000	2,000
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 2,000	\$ 2,000

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

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	2008	2007
<b>Energy Administration Fund - 0737</b>		
Federal government	\$ 12,090	\$ 13,940
Total cash receipts per Department	12,090	13,940
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	129	39
Total cash receipts per State Comptroller's Records	\$ 12,219	\$ 13,979
 <b>Medicaid Buy-In Program Revolving Fund - 0740</b>		
Recipient collections	\$ 454	\$ 454
Total cash receipts per Department	454	454
Less - In transit at End of Year	(18)	(15)
Plus - In transit at Beginning of Year	15	5
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 451	\$ 444
 <b>Child Support Administration Fund - 0757</b>		
Federal government	\$ 92,897	\$ 103,682
Fund transfers	31,628	30,388
Repayment to State pursuant to law	13	18
Total cash receipts per Department	124,538	134,088
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	7	80
Total cash receipts per State Comptroller's Records	\$ 124,545	\$ 134,168

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

For the Years Ended June 30, 2008 and 2007

(expressed in thousands)

	2008	2007
<b>Medical Special Purpose Trust Fund - 0808</b>		
Federal government	\$ 4,589	\$ 2,061
Federal monies via other Illinois agency	-	50
Contracts and grants - private organizations	796	940
Total cash receipts per Department	5,385	3,051
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	125
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	-
Total cash receipts per State Comptroller's Records	\$ 5,385	\$ 3,176
 <b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>		
Federal government	\$ 133,444	\$ 183,482
Total cash receipts per Department	133,444	183,482
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	600	6,520
Total cash receipts per State Comptroller's Records	\$ 134,044	\$ 190,002
 <b>Health Insurance Reserve Fund - 0907</b>		
Fund transfers	\$ 1,133,184	\$ 1,176,409
Total cash receipts per Department	1,133,184	1,176,409
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	19	-
Total cash receipts per State Comptroller's Records	\$ 1,133,203	\$ 1,176,409

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

For the Years Ended June 30, 2008 and 2007  
(expressed in thousands)

	<u>2008</u>	<u>2007</u>
<b>Child Support Enforcement Trust Fund - 0957</b>		
Child support collections	\$ 196,027	\$ 172,539
Repayment to State pursuant to law	<u>5,302</u>	<u>4,972</u>
Total cash receipts per Department	201,329	177,511
Less - In transit at End of Year	(1,044)	(1,603)
Plus - In transit at Beginning of Year	1,603	1,457
Plus - PY Refunds/Warrant Voids on Comptroller's Report	<u>93</u>	<u>110</u>
Total cash receipts per State Comptroller's Records	<u>\$ 201,981</u>	<u>\$ 177,475</u>
 <b>GRAND TOTAL - ALL FUNDS</b>	 \$ 11,886,613	 \$ 10,869,116
Less - In transit at End of Year	(32,006)	(38,552)
Plus - In transit at Beginning of Year	38,552	12,083
Plus - PY Refunds/Warrant Voids on Comptroller's Report	<u>2,850</u>	<u>7,324</u>
<b>Total cash receipts per State Comptroller's Records - All Funds</b>	<u><u>\$ 11,896,009</u></u>	<u><u>\$ 10,849,971</u></u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2008

The following is a summary of explanations for significant fluctuations in appropriated expenditures incurred by the Department for the fiscal year ended June 30, 2008 as compared to the fiscal year ended June 30, 2007. Included are explanations for variances to the General Funds (Major Fund) greater than \$1 million and 20%, and explanations for variances to the Road Fund (Major Fund), Non-Major Governmental Funds, Proprietary Funds and Fiduciary Funds greater than \$300 thousand and 20%. Dollar amounts are in thousands unless otherwise stated. The Department's total appropriated expenditures for fiscal years ended June 30, 2008 and 2007 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 increase of \$3,043 (46.1%) in State contributions to State employees' retirement system expenditures was due to an increase in the employer retirement rate from 11.525% in fiscal year 2007 to 16.561% in fiscal year 2008.

Medical Management Services

The decrease of \$1,508 (27.5%) in medical management services expenditures was due to a decrease in statistical tabulation payments to the Department of Central Management Services, which was partially offset by payments to the Department of Human Service (DHS) for the DHS Management Information Systems Client hours.

Healthcare Shared Services Center

The increase of \$3,616 (100%) in shared services expenditures was due to this being a new appropriation in fiscal year 2008.

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

Long-Term Care Provider Services

The increase of \$159,485 (24.1%) in long-term care provider services expenditures was due to increased appropriation authority in fiscal year 2008 and an increase in transfers into the fund from the Hospital Provider Fund per the Public Aid Code (305 ILCS 5/5A-8(b)(7.8)).

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2008

**Hospital Provider Fund - 0346**

Hospitals

The increase of \$1,194,296 (98.3%) in hospital service expenditures was due to the fiscal year 2007 and 2008 Access Improvement Payments being paid in fiscal year 2008 as compared to only the fiscal year 2006 Access Improvement Payments being paid in fiscal year 2007.

**Trauma Center Fund - 0397**

Trauma Centers

The increase of \$7,224 (147.2%) in trauma center expenditures was due to less statutory transfers out of the fund in fiscal year 2008 than in fiscal year 2007, which resulted in more monies available for expenditures.

**Family Care Fund - 0720**

Medical Assistance

The increase of \$5,813 (23.2%) in medical assistance expenditures was due to increased efficiency in claims being submitted by providers and more services being utilized.

**Drug Rebate Fund - 0728**

Prescribed Drugs

The decrease of \$178,867 (33.4%) in prescription drug expenditures was due to Medicare Part D Clawback payments for fiscal years 2006 and 2007 being paid during fiscal year 2007. However, during fiscal year 2008, the Medicare Part D Clawback payments were only for fiscal year 2008.

**Medical Special Purpose Trust Fund - 0808**

Health Insurance Portability and Accountability Act Costs

The increase of \$2,654 (121.6%) in Health Insurance Portability and Accountability Act (HIPAA) expenditures was due to fiscal year 2008 being the first full year for the Medicaid Transformation grant to be utilized by the Department's Office of Inspector General, and an increase in the HIPAA claim rate.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2008

**NON-MAJOR GOVERNMENTAL FUNDS**

**Good Samaritan Energy Trust Fund - 0555**

Awards and Grants

The decrease of \$1,507 (100%) in awards and grants was due to corporate donations in fiscal year 2006, which allowed for increased expenditures in fiscal year 2007. However, the corporate donations did not occur in fiscal year 2007 or fiscal year 2008.

**Tobacco Settlement Recovery Fund - 0733**

Prescribed Drugs

The increase of \$123,088 (32.9%) in prescription drug expenditures was due to increased appropriation authority in fiscal year 2008.

**Child Support Administration Fund - 0757**

State Contribution to State Employees' Retirement System

The increase of \$2,951 (51.1%) in State contribution to State employees' retirement system expenditures was due to an increase in the employer retirement rate from 11.525% in fiscal year 2007 to 16.561% in fiscal year 2008.

Equipment

The decrease of \$980 (73.5%) in equipment expenditures was due to a decrease in the purchase of electronic data processing equipment in fiscal year 2008.

Healthcare Shared Services Center

The increase of \$2,011 (100%) in shared services expenditures was due to this being a new appropriation in fiscal year 2008.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2008

**PROPRIETARY FUNDS**

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

Personal Services

The decrease of \$480 (87.6%) in personal services expenditures was due to this fund being changed from an appropriated fund to a non-appropriated fund in January 2008, as the result of Public Act 95-0707. Expenditures were paid from this appropriation for the first portion of the fiscal year.

Group Health Insurance

The decrease of \$56,391 (91.9%) in group health insurance expenditures was due to this fund being changed from an appropriated fund to a non-appropriated fund in January 2008, as the result of Public Act 95-0707. Expenditures were paid from this appropriation for the first portion of the fiscal year.

Healthcare and Administrative Expenses

The increase of \$54,337 (100%) in healthcare and administrative expenditures was due to this fund being changed from an appropriated fund to a non-appropriated fund in January 2008, as the result of Public Act 95-0707.

**FIDUCIARY FUNDS**

**Teacher Health Insurance Security Fund - 0203**

Administrative Expenses

The decrease of \$1,694 (81.2%) in administrative expenses was due to a decrease in payroll and statistical and tabulation charges.

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

Administrative Expenses

The decrease of \$318 (91.1%) in administrative expenses was due to a decrease in payroll, statistical and tabulation charges, and electronic data processing equipment purchases.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2008

**Child Support Enforcement Trust Fund - 0957**

Interest Paid to Clients, DCFS, Other

The increase of \$558 (89%) was due to more custodial parents completing and submitting a W-9 form allowing their social security numbers to be validated with the Office of the Comptroller, which resulted in more interest being released to custodial parents.

Refund – IRS Offset

The increase of \$1,226 (28.7%) in IRS Offset refunds was due to an increase in federal tax offsets in fiscal year 2008 as a result of the economic stimulus checks issued by the federal government. This resulted in more money being paid to the custodial parents.

Reimburse DCFS Title IV-E

The increase of \$596 (32%) in DCFS Title IV-E reimbursements was due to an increase in foster care collections.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2008

The following is a summary of explanations for significant fluctuations in receipts received by the Department for fiscal year ended June 30, 2008 as compared to the fiscal year ended June 30, 2007. Included are explanations for variances to the General Funds (Major Fund) greater than \$1 million and 20% and explanations to the Non-Major Governmental Funds, Proprietary Funds, and Fiduciary Funds greater than \$300 thousand and 20%. Dollar amounts are in thousands unless otherwise stated. The Department's receipts are presented in the "Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the Comptroller."

**GENERAL FUNDS**

**General Revenue Fund - 0001**

Recipient Collections

The increase of \$5,008 (46.9%) was the result of more insurance premiums being collected due to increased growth of the All Kids Program.

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

Local Governmental Units

The decrease of \$32,799 (43.1%) was a result of the Department decreasing their spending during fiscal year 2008. The Federal Centers for Medicare and Medicaid Services initiated a new process for intergovernmental transfers in November 2006. This process relied on estimations for Medicaid services and a reconciliation component. The estimates were high in fiscal year 2007 and the reconciliation did not begin until fiscal year 2008.

**Hospital Provider Fund - 0346**

Federal Government

The increase of \$585,182 (95.3%) was a result of two hospital assessment tax cycles occurring in fiscal year 2008. The fiscal year 2007 Hospital Access Improvement payments were not paid until fiscal year 2008; as a result, the federal government reimbursed the Department for fiscal year 2007 and 2008 payments both in fiscal year 2008.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2008

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

Provider Taxes

The increase of \$730,039 (99.6%) was a result of two hospital assessment tax cycles occurring in fiscal year 2008. The fiscal year 2007 and 2008 Hospital Access Improvement payments were paid in fiscal year 2008.

**Special Education Medicaid Matching Fund – 0355**

Federal Government

The decrease of \$25,203 (21.2%) was due to school districts not providing the Department with reimbursable claims in a timely manner resulting in a decrease in federal reimbursement during fiscal year 2008.

**Trauma Center Fund – 0397**

Federal Government

The increase of \$2,524 (89.9%) was a result of a significant increase in the amount of expenditures in fiscal year 2008, which resulted in more federal financial participation collected. The increase in expenditures was the result of decreased statutory transfers to other funds during fiscal year 2008.

**Public Assistance Recoveries Trust Fund – 0421**

Federal Government

The decrease of \$8,632 (27.3%) was a result of the Department receiving less Federal Grant monies from the U.S. Department of Health and Human Services for the State Children's Health Insurance Program.

**Family Care Fund - 0720**

Reimbursements

The increase of \$4,984 (33.5%) was a result of increased spending by the Department for Children's Mental Health Initiative services, which resulted in increased receipts from the General Revenue Fund for the reimbursement of these services.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2008

**Drug Rebate Fund – 0728**

Federal Government

The decrease of \$69,681 (28.1%) was due to an increase of prescription drug expenditures that qualified for Medicare Part D in fiscal year 2008, which resulted in less expenditures being eligible for federal financial participation.

**Medical Special Purpose Trust Fund – 0808**

Federal Government

The increase of \$2,528 (122.7%) was a result of the Department receiving the Medicaid Transformation grant during fiscal year 2008. The same grant was not received during fiscal year 2007. There was also an increase in the Health Insurance Portability and Accountability Act (HIPAA) claim rate during fiscal year 2008.

**NON-MAJOR GOVERNMENTAL FUNDS**

**Supplemental Low-Income Energy Assistance Fund – 0550**

Private Organizations or Individuals

The increase of \$11,764 (784.3%) was the result of the amendment of the Illinois Power Agency Act (Public Act 095-0481) which requires electric utilities to make contributions if the electric utility fails to meet the efficiency standards that are specified in the amended Illinois Power Agency Act. This requirement did not occur until fiscal year 2008.

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

Federal Government

The decrease of \$50,038 (27.3%) was a result of additional funds being made available by the U.S. Department of Health and Human Services for Low Income Energy Assistance Program block grants in late fiscal year 2006 and not collected until fiscal year 2007. These same funds were not available in fiscal year 2008.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2008

The following is a summary of explanations for significant lapse period expenditures incurred by the Department for fiscal year 2008. Included are lapse period expenditures for the General Funds (Major Fund) that are greater than \$1 million and 20%, and lapse period expenditures for the Road Fund (Major Fund), Non-Major Governmental Funds, Proprietary Funds and Fiduciary Funds that are greater than \$300 thousand and 20% 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 2008 is presented in the "Schedule of Appropriations, Expenditures, and Lapsed Balances" of this report.

**GENERAL FUNDS**

**General Revenue Fund - 0001**

Oak Forest Hospital Grants

Services incurred prior to June 30 totaling \$2,000 were to provide or arrange for the provision of essential medical care and rehabilitation services for Illinois residents who were unable to pay due to inadequate resources, being uninsured, or were unable to meet their essential medical needs. This grant was not executed until late June 2008 and paid during the lapse period.

**Special Education Medicaid Matching Fund - 0355**

Federal monies of \$41,456 for administrative and medical claims for school districts for the third quarter were paid during the lapse period.

**Trauma Center Fund - 0397**

The adjustment amounts for the fourth quarter trauma center payments of \$3,223 were calculated and paid during the lapse period.

**Public Assistance Recoveries Trust Fund - 0421**

Contractual Services

The Department paid a total of \$3,201 for the following services incurred prior to June 30 during the lapse period: \$2,700 for audit and management services, \$271 for statistical services and \$74 for facilities management to the Department of Central Management Services, and \$92 for professional and artistic services.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2008

**Public Assistance Recoveries Trust Fund - 0421 (Continued)**

Payments to Local Governments for Services to Recipients

The Department paid a total of \$6,137 for the following services incurred prior to June 30 during the lapse period: \$6,000 in federal monies to local health departments for services provided to applicants or recipients covered under the Public Aid Code and \$97 in federal monies to vendors as a part of the Other Governmental Payers Program.

**NON-MAJOR GOVERNMENTAL FUNDS**

**Child Support Administration Fund - 0757**

Telecommunications Services

Services incurred prior to June 30 totaling \$830 were paid during the lapse period due to the Department receiving telephone services, equipment, data communications services, and video conferencing bills in late June and July from the Department of Central Management Services.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2008

Threshold levels for analysis and explanation are changes of at least \$1 million and 20% for general funds (major fund), and changes of at least \$300 thousand and 20% for the Road Fund (major fund), non-major governmental funds, non-major proprietary funds and fiduciary funds.

**GENERAL FUNDS**

**Assets**

Cash equity with State Treasurer – The decrease of \$94.1 million was attributable to the following decreases: a decrease in the Special Education Medicaid Matching Fund due to fluctuations in the billing patterns by school districts; a decrease in the Health and Human Services Medicaid Trust Fund as a result of the fund being transferred to the Department of Human Services during fiscal year 2008; a decrease in the Public Assistance Recoveries Trust Fund due to the Department receiving less drug rebate monies during fiscal year 2008; and a decrease in the Drug Rebate Fund due to the Department holding monies at the end of fiscal year 2007 in anticipation of paying two Medicare Part D payments which did not occur in fiscal year 2008.

Due from other government – federal – The decrease of \$493.7 million was due to a decrease in the Hospital Provider Fund as a result of federal financial participation being recorded in fiscal year 2007 that was associated with fiscal year 2007 access improvement payments that were payable at the end of fiscal year 2007. The 2008 hospital access improvement payments were paid prior to the end of fiscal year 2008.

Taxes receivable – The decrease of \$731.5 million was due to a decrease in the Hospital Provider Fund due to the 2007 hospital tax assessment being recorded in fiscal year 2007 that was associated with fiscal year 2007 access improvement payments that were payable at the end of fiscal year 2007. The 2008 hospital access improvement payments were paid prior to the end of fiscal year 2008.

Other Receivables – The increase of \$25.2 million was due to the Department overpaying drug utilization costs during fiscal year 2008 and recording the overpayment as a receivable.

**Liabilities**

Accounts payable and accrued liabilities – The decrease of \$1.048 million was due to a decrease in the Hospital Provider Fund due to the 2007 hospital tax assessment payments not being paid prior to June 30, 2007. The 2008 hospital access improvement payments were paid prior to the end of fiscal year 2008.

Due to other government – federal – The \$36.2 million decrease was due to the Department owing the federal government only one Medicare Part D payment as of June 30, 2008 compared to owing two payments as of June 30, 2007.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2008

Due to other government – local – The increase of \$46.3 million was attributable to the following: an increase in the County Hospital Services Fund due to fluctuations in the billing patterns by Cook County, and an increase in the Special Education Medicaid Matching Fund due to the federal government approving three State plan amendments increasing claimable costs above the service cost maximum, which was effective June 2008. There was also a delay in submission of claims by some school districts during fiscal year 2008.

Due to other Department funds – an increase of \$58.3 million was due to an increase in the General Revenue Fund due to the State Employees Group Insurance Act (5 ILCS 375/13.1) which requires the General Revenue Fund to supplement any deficit in the Health Insurance Reserve Fund.

Due to other State funds – a decrease of \$2.1 million was attributable to the following: a decrease in the General Revenue Fund due to decreased spending on facilities management during lapse period and a decrease in the Public Assistance Recoveries Trust Fund as a result of decreased spending on statistical services and facilities management during lapse period.

Unavailable Revenue – The decrease of \$1.227 million was a result of federal participation monies due to the Department from the U.S. Department of Health and Human Services and taxes from hospitals for the 2007 hospital access payments made to hospitals were not received until 60 days after the fiscal year end. These same payments to hospitals for fiscal year 2008 were made and related revenues were received prior to June 30, 2008.

**Fund Balance**

Reserved for encumbrances – the increase of \$9.6 million in the Long-Term Care Provider Fund was due to increased spending with fiscal year 2008 available cash balances.

Unreserved – a decrease of \$897.5 million in the general fund deficit was the result of the hospital access improvement payments due to the hospitals by the Department at the end of fiscal year 2007. The Department received the fiscal year 2007 federal reimbursement and hospital assessment taxes during fiscal year 2008, which resulted in a decrease in the general fund's deficit.

**ROAD FUND**

**Liabilities**

Due to other Department Funds – the increase was due to the liability to the Health Insurance Reserve Fund (HIRF) being recorded in the General Revenue Fund (GRF) during fiscal year 2007. During fiscal year 2008, the liability was allocated to the Road Fund and the GRF depending on payroll costs by function and Agency.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2008

**Fund Balance**

Unreserved – the decrease was due to the liability to the Health Insurance Reserve Fund (HIRF) being recorded in the General Revenue Fund (GRF) during fiscal year 2007. During fiscal year 2008, the liability was allocated to the Road Fund and the GRF depending on payroll costs by function and Agency.

**NON-MAJOR GOVERNMENTAL FUNDS**

**Assets**

Due from other government – federal – an increase of \$24.9 million was due to a significant increase in spending in the Tobacco Settlement Recovery Fund during the fourth quarter and lapse period during fiscal year 2008, which resulted in a larger than usual receivable from the U.S. Department of Health and Human Services for Medicare and Medicaid expenses incurred.

Other receivables – an increase of \$23.6 million was due to the Department overpaying drug utilization costs during fiscal year 2008 and recording the overpayment as a receivable.

**Liabilities**

Accounts payable and accrued liabilities – The increase of \$48.1 million was due to a significant increase in spending in the Tobacco Settlement Recovery Fund during the fourth quarter and lapse period during fiscal year 2008 due to increased appropriations. The same spending did not occur in fiscal year 2007.

Due to other government – federal – The increase of \$1.7 million was due to an increase in the receivables from noncustodial parents during fiscal year 2008. The noncustodial parents make child support payments to the Department and a portion of that payment will reimburse the federal government for the noncustodial parent's Medicaid assistance through TANF. This caused the federal government liability to increase during fiscal year 2008.

Unavailable Revenues – The increase of \$1.0 million was due to a significant increase in spending in the Tobacco Settlement Recovery Fund during the fourth quarter and lapse period during fiscal year 2008 due to increased appropriations; however, the Department did not receive the federal financial participation reimbursement for these expenditures until 60 days after the fiscal year end.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2008

**Fund Balance**

Unreserved fund balance – The increase of \$37.4 million was due to an increase in the Tobacco Settlement Recovery Fund due to increased spending during the fourth quarter and lapse period during fiscal year 2008, which created a larger than usual receivable. In addition, the Department overpaid drug utilization costs during fiscal year 2008 and recorded the overpayment as a receivable and reduction of expenditures.

**NON-MAJOR PROPRIETARY FUNDS**

**Internal Service Funds**

**Assets**

Due from other Department funds – An increase of \$77.1 million in the Health Insurance Reserve Fund was due to increased transfers from the General Revenue Fund and the Road Fund to cover the increased deficit in the Health Insurance Reserve Fund as required by the Group Insurance Act of 1971 (5 ILCS 375/13/1).

**Liabilities**

Accounts payable and accrued liabilities – An increase of \$64.6 million in the Health Insurance Reserve Fund was due to a delay in payment for health insurance claims until after year-end and an increase in the incurred but not reported (IBNR) liability during fiscal year 2008 due to increasing health costs.

Due to other State funds – A decrease of \$694 thousand in the Health Insurance Reserve Fund was due to a decrease in the statistical services expenditures that were due at the end of fiscal year 2008.

**FIDUCIARY FUNDS**

**Pension Trust Funds**

**Assets**

Cash and cash equivalents – The increase of \$2.7 million was due to the Department transferring monies to the local funds on June 30, 2008.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2008

**Liabilities**

Due to other State Funds – The increase of \$678 thousand was due to a significant increase in lapse period spending during fiscal year 2008 for statistical and tabulating services.

**Agency Funds**

**Assets**

Cash equity with State Treasurer – The increase of \$6.3 million is the result of an increase in the funds remaining liability in the Child Support Trust Fund which resulted in more cash in the fund.

Cash and Cash Equivalents – The decrease of \$1.1 million in the Child Support Enforcement Trust Fund - SDU was related to a timing issue as a result of June 30, 2007 falling on a Saturday. The State Disbursement Unit received money on June 30, 2007, but did not disburse the funds for child support until the next fiscal year. This resulted in a larger than usual cash balance in fiscal year 2007.

**Liabilities**

Accounts payable and accrued liabilities – The increase of \$4.9 million was due to a decrease of \$1.2 million in the Child Support Enforcement Trust Fund-SDU due to a timing issue as a result of June 30, 2007 falling on a Saturday and the State Disbursement Unit not disbursing the funds for child support until the next fiscal year. This resulted in a higher than normal accounts payable in fiscal year 2007. The decrease was offset by an increase of \$6.1 million in the Child Support Enforcement Trust Fund due to an increase in the remaining liability as a result of increased tax offset collections and interest collections pending distribution.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
For the Years Ended June 30, 2008 and 2007  
(amounts in thousands)

<b>Balance Sheet at June 30th of</b>	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Accounts Receivable (Net)</b>		
General Funds	\$ 116,261	\$ 822,569
Special Revenue Funds	33,756	10,152
Enterprise Funds	271	341
Internal Service Funds	10,556	10,921
Fiduciary Funds	<u>214,624</u>	<u>184,725</u>
<b>Total Accounts Receivable (Net)</b>	<b>\$ <u><u>375,468</u></u></b>	<b>\$ <u><u>1,028,708</u></u></b>
 <b>Accounts Receivable - All Funds</b>		
At Gross	3,843,636	4,231,134
Less: Allowance for Uncollectible Accounts	<u>(3,468,168)</u>	<u>(3,202,426)</u>
<b>Total Accounts Receivable (Net)</b>	<b>\$ <u><u>375,468</u></u></b>	<b>\$ <u><u>1,028,708</u></u></b>
 <b>Aging of Gross Receivables</b>		
	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Receivables Not Past Due</b>	\$ 146,591	\$ 834,263
 <b>Past Due Receivables:</b>		
1 - 30 Days	535,973	415,477
31 - 90 Days	14,660	10,642
91 - 180 Days	19,832	20,271
181 Days - 1 Year	44,183	51,805
Over 1 Year	<u>3,082,397</u>	<u>2,898,676</u>
<b>Total</b>	<b>\$ <u><u>3,843,636</u></u></b>	<b>\$ <u><u>4,231,134</u></u></b>

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, Comptroller's Offset system, cyclical billings, letters and telephone contacts, 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 Attorney General's office.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**INDIRECT COST REIMBURSEMENTS**  
For the Year Ended June 30, 2008  
(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 2008, the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated \$57.888 million. For fiscal year 2007, the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated \$57.611 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, 2008 and 2007  
(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 2007	Average for FY 2008	Average for FY 2007	Average for FY 2008	FY 2007	FY 2008
<b>General Revenue Fund</b>						
Drugs	53.0	54.7	71.4	71.0	\$ 481,597,384	\$ 794,832,435
Hospitals						
Inpatients	51.2	48.1	61.7	58.2	1,745,343,178	1,839,893,108
Ambulatory	61.1	55.5	73.1	67.6	416,755,029	456,355,825
Long-term care	51.3	36.5	65.3	49.6	1,016,562,519	875,089,315
L-T Care Developmentally Disabled	36.1	46.2	51.9	65.4	334,076,406	336,350,871
Non-institutional provider services	66.2	38.5	76.3	47.6	664,726,318	717,287,459
Physician	49.3	25.6	55.8	33.7	865,538,973	809,147,832
<b>Overall averages/totals</b>	<b>52.6</b>	<b>43.6</b>	<b>65.1</b>	<b>56.2</b>	<b>\$ 5,524,599,807</b>	<b>\$ 5,828,956,845</b>
<b>Assessment Trust Funds</b>						
Drug Rebate	44.0	39.2	47.9	41.4	\$ 225,709,904	\$ 88,027,759
Long-term care	43.7	34.6	47.4	37.0	569,801,335	594,103,903
L-T Care Developmentally Disabled	32.0	48.9	35.8	52.1	40,898,229	43,150,524
<b>Overall averages/totals</b>	<b>39.9</b>	<b>40.9</b>	<b>43.7</b>	<b>43.5</b>	<b>\$ 836,409,468</b>	<b>\$ 725,282,186</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.

Fiscal year 2007 figures have been adjusted to more accurately reflect claims paid during the fiscal year.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2008

The Illinois Department of Healthcare and Family Services (Department) is committed to empowering Illinois residents to lead healthier and more independent lives by providing health care coverage for adults, children, seniors, and the disabled. The Department is devoted to helping ensure that Illinois children receive financial support from both parents by establishing and enforcing child support obligations, improving the energy efficiency of low-income families through energy conservation and bill payment assistance, and the effective management of healthcare purchasing.

The Department is organized into four major program areas including the Division of Medical Programs, the Division of Child Support Enforcement, the Office of Energy Assistance, and the Office of Healthcare Purchasing. In addition, the Office of the Inspector General is maintained within the agency, but functions as a separate, independent entity reporting directly to the governor's office.

### **Child Support Enforcement**

The Department administers the federally mandated Title IV-D child support program for the State of Illinois through the Division of Child Support Enforcement (DCSE). The objectives of the program are to establish paternity, locate non-custodial parents, establish and enforce child and medical support obligations, collect, distribute and disburse support payments, review and modify support orders, and provide services to non-custodial parents. The DCSE 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). Together, the TANF, MANG, and Non-Assistance cases receiving the services are known as Title IV-D cases. The DCSE also processes non-IV-D cases through the State Disbursement Unit.

The DCSE additionally assists other states to establish parentage and enforce child support on behalf of their residents. In recent years, the Department has placed additional emphasis on the collection of past-due child support. Various enforcement methods are available for DCSE to utilize in their attempts to collect past due support payments, including, but not limited to: intercepting federal and state tax refunds, intercepting lottery winnings, referring to the Secretary of State for driver's license suspension, and referring to private collection agencies.

Total program expenditures reflect administrative expenses from the Child Support Administrative Fund, the General Revenue Fund and allocation of the Department's 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 Office of the Illinois Attorney General.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2008

**Energy Assistance**

The Department's Office of Energy Assistance (OEA) administers the Low Income Home Energy Assistance (LIHEAP) and the Illinois Home Weatherization Assistance (IHWAP) programs. In fiscal year 2008, over 319,900 households received assistance grants through LIHEAP and over 7,400 homes were weatherized through IHWAP.

Each year through the LIHEAP program, low income households in Illinois with incomes at or below 150 percent of poverty 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 2008, the average monthly count of enrolled individuals for which the Department provided means-tested medical coverage was over 2.4 million Illinoisans, including pregnant women, infants, children and teenagers, parents or caretaker relatives raising children younger than 19, seniors 65 years of age or older, persons who have a disability or blindness, people struggling with one-time catastrophic medical bills, and children and adults with chronic health problems. The primary goal of this program is to improve the health of Medical Program's participants by providing access to quality healthcare.

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 237,730 in fiscal year 2008. 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 2008 was approximately 42,000 individuals.

Since the inception of All Kids in 2005, the Department continued to enhance the program. Illinois became the first state to ensure every uninsured child had access to affordable healthcare coverage regardless of family income or pre-existing condition. During fiscal year 2008, the Department continued its efforts to strengthen the network of application agents and educate providers throughout the State, and increased enrollment to more than 1.4 million children.

In 2007, the Department expanded coverage to parents of All Kids children through a federal waiver program called FamilyCare. FamilyCare covers parents or caretaker relatives of children with income up to 185 percent of poverty regardless of assets. As of June 30, 2008, 580,760 parents were covered through the Department's medical programs. Of those, 172,925 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, 2008

The Department also administers several programs that cover a limited set of services. Included in this category is the Illinois Cares Rx program. This program provides drug coverage to seniors and persons with disabilities who have limited incomes. For people with Medicare, Illinois Cares Rx coordinates with Medicare Part D plans to help participants with the gaps in coverage under the federal program.

Overall, the Medical Programs are operated through fourteen units, which directly participate in the administration of the Department's medical programs. Additionally, the Division of Finance develops the Department's budget and secures the necessary appropriation authority, ongoing fiscal management, and federal participation that is necessary to carry out the programs.

### **Healthcare Purchasing**

The Office of Healthcare Purchasing (OHP) was formed to oversee all non-Medicaid related procurement of health services and to implement the goal of streamlining and consolidating certain functions of agencies. The OHP procures certain healthcare services needed to provide coverage for: State Employees Group Insurance Program covering 346,000 lives; State Employee/Retiree Flu Vaccination Program providing over 27,000 flu shots; Local Government Health Program covering 9,100 lives; Teachers' Retirement Insurance Program covering 64,000 lives; College Insurance Program covering 5,200 lives; Illinois Prescription Drug Discount Program covering 48,000 lives; Department of Corrections and Department of Juvenile Justice inmates in 36 facilities covering youth, female and male inmates; Department of Human Services (DHS) residents in ten Mental Health facilities; DHS residents in nine Developmental Disabilities facilities; DHS residents in five Rehabilitation facilities; and Department of Veterans' Affairs residents in four facilities.

### **Office of the Inspector General**

The mission of the Office of the Inspector General (OIG) is to prevent, detect, and eliminate fraud, waste, abuse, mismanagement and misconduct in programs administered by the Department. The OIG conducts investigations for mismanagement in the programs administered by the Department as well as investigations for programs administered by the Department of Human Services. The 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**

The Department maintains an Office of Planning within the Director's Office. The Office of Planning is responsible for creating the Department's strategic plan and monitoring the progress of projects related to the accomplishments of the strategic plan. As part of this monitoring, responsible parties, targets, and milestones are identified. The office collects hard data on how well the Department's programs are performing and what effect the implementation of the plan has on the Department's outcomes.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2008

In fiscal year 2007, the Department completed its strategic planning effort for the period covering fiscal years 2008 - 2011 in conjunction with the Governor's Office of Management and Budget. For fiscal year 2008, the Department focused on key initiatives that best reflect the Department's mission. Department goals were developed 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. Performance measures and targets were updated for fiscal year 2008.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**AVERAGE NUMBER OF EMPLOYEES**  
For the Year Ended June 30, 2008 and 2007

Below is a summary of the average number of personnel employed by the Department, by fund, for the fiscal years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
General Revenue Fund		
Program Administration	265	261
Office of Inspector General	176	176
Attorney General	21	22
Medical	551	523
Managed Care	19	17
Kid Care - Look a Like	112	113
Kid Care - Rebate	34	33
Prescribed Drugs	32	31
Medi Rev*	6	3
Total General Revenue Fund	<u>1,216</u>	<u>1,179</u>
Other Funds		
Care Provider for Persons with DD	1	1
Long-Term Care Provider	12	11
Medical Special Purpose Trust	12	11
Child Support Administration	990	980
Public Assistance Recoveries Trust	136	136
Energy Assistance	28	29
Group Insurance	18	18
Total Other Funds	<u>1,197</u>	<u>1,186</u>
Grand Total - All Funds	<u><u>2,413</u></u>	<u><u>2,365</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, 2008, and 2007  
(Unaudited)

		<u>2008</u>	<u>2007</u>
Average Number of Enrollees	(1)	2,576,386	2,442,032
Annual Expenditures	(2)	\$8,607,173,800	\$8,157,269,000
Expenditure per Enrollee	(3)	\$3,340.79	\$3,340.36

NOTES:

- (1) Fiscal year 2008 enrollment includes SeniorCare and reflects the average of each month's ending enrollees.
- (2) Fiscal year 2008 Appropriation Spending (14 month). Spending also includes individual medical claims expenditures from the Hospital Provider Fund.
- (3) For illustration purposes only: Expenditure per enrollee is calculated by dividing expenditures against a given fiscal year's appropriations by the average number of enrollees for that fiscal year. The resulting figures do 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, 2008

The Department reported the following emergency purchases to the Office of the Auditor General during fiscal year 2008.

<u>Vendor/Description</u>	<u>Cost</u>
<p>E.C. Ortiz and Company LLC</p> <p>The Department entered into a four month extension to the current contract in order to maintain the Long Term Care-Asset Discovery Investigations that were in process and to allow the completion of a competitive solicitation. The only alternative to extending the contract with E.C. Ortiz and Company LLP was to stop referring new investigations to the Inspector General's Office during the last three months of the current contract as the vendor was given 90 days to process each investigation. That would have resulted in a huge backlog of investigations which were completed to ensure that applicants who were receiving public assistance did not have unreported or non-allowable assets. Fraud and abuse would increase resulting in an increase in costs for the Department. The contract term was for the first four months of fiscal year 2008.</p>	\$247,200
<p>Magellian Health Services</p> <p>The Department sought to enter into an emergency six-month contract with Magellan Health Services. Pursuant to Illinois Procurement Rules, 44 Ill. Admin Code 1.2030(b)(1)(A), threat to public health and 1.2030(b)(1)(G), need for items to protect or further State interest is immediate and cannot be accomplished without significant risk of causing serious disadvantage to the State.</p> <p>Under this contract, Magellan would administer specialized screening and treatment for Illinois veterans needing timely access to critical mental health and other screening services. There was a significant threat to the public health and well being of State residents who were returning from deployments, especially from engagements in Iraq and Afghanistan, for whom mental health care was unavailable or inaccessible on a timely basis from other sources. The program's intent was not to replace existing services for veterans, but to supplement them where gaps existed due to the burgeoning demand. This program also made Traumatic Brain Injury (TBI) screenings mandatory for all returning members of the Illinois Army National Guard.</p> <p>All Illinois veterans who screened positive for TBI and Post Traumatic Stress Disorder (PTSD) were eligible to participate in the treatment aspects of this program. The contract term was 1/15/08 through 6/30/08.</p>	* \$4,000,000
Total	<u>\$4,247,200</u>

\* The reported amount is an estimate.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2008  
(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. DCSE also processes non IV-D cases through the State Disbursement Unit. These activities suggest some of the basic indicators of DCSE'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 2007</u></b>	<b><u>FY 2008</u></b>
Total child support collections (in thousands, includes all Title IV-D, TANF & non-TANF)	\$1,224,257	\$1,327,948
Number of IV-D cases with new support orders established	56,487	53,859
Amount of total child support arrearages collected (in thousands, includes all Title IV-D, TANF & non-TANF)	\$265,371	\$283,625

**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, 2008  
(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 2007</u></b>	<b><u>FY2008</u></b>
Number of households receiving LIHEAP assistance	326,921	319,989
Number of households receiving home weatherization services	7,854	7,428

**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.

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**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 AllKids 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 primary goal of this program is to improve the health of Medical Programs' participants by providing access to quality health care.

<b>Performance Measures</b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>
Total Medical Program Expenditures (in thousands)	\$11,331,340	\$12,824,021
Number of actively enrolled physicians billing over 100 claims per year	18,308	19,211
Total number of children enrolled in Medical Programs	1,369,050	1,457,829

**Evaluation of Performance/Activity Measures**

Primary Care Case Management Program (PCCM) – Illinois Health Connect, the PCCM program, provides a medical home to all eligible enrollees in the Department's means-tested medical programs, offering quality medical care in a cost-effective delivery model. Illinois Health Connect enrollment began in the fourth quarter of fiscal year 2007 and statewide enrollment was completed in the second quarter of fiscal year 2008. Over 1.7 million patients are assigned to over 5,000 medical homes.

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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 nearly 5.9 million medical services and cost avoidance by preventing unnecessary expenditures. Savings from prepayment review of claims for fiscal year 2008 was over \$106 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 \$128 million in fiscal year 2006, over \$141 million in fiscal year 2007, and more than \$161 million in fiscal year 2008.

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**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>FY 2007</u></b>	<b><u>FY 2008</u></b>
Provider post-payment audits performed	934	324
Number of fraud prevention investigations completed	4,000	4,388

**Evaluation of Performance/Activity Measures**

The OIG conducted 324 post-payment audits during fiscal year 2008, which represent 65 percent fewer audits performed than last year. In fiscal year 2008, the number of self and desk audits completed were drastically reduced because OIG resources were diverted to record retrieval and record review for the national Payment Error Rate Measurement (PERM) project. Fraud research efforts were also redirected to the development of a predictive modeling system rather than new provider audit targets. The reduction has continued into fiscal year 2009.

The audits were conducted to help ensure that Medicaid dollars were spent appropriately. These audits, while reduced in number, allowed the OIG to recover approximately \$22 million in overpayments during fiscal year 2008, compared to approximately \$19 million in fiscal year 2007. The OIG conducted 4,388 fraud prevention investigations during fiscal year 2008, to prevent ineligible applicants from receiving welfare benefits.