



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

Frank J. Mautino, Auditor General

**REPORT DIGEST**

**PROGRAM  
AUDIT**

For the Year Ended:  
June 30, 2016

**Release Date:  
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**EXECUTIVE SUMMARY**

**Covering ALL KIDS  
Health Insurance Program**

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act (215 ILCS 170/63) directing the Auditor General to annually audit the EXPANDED ALL KIDS program beginning June 30, 2008, and each June 30<sup>th</sup> thereafter. This is the **eighth** annual audit (FY16), and follows up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings. DHS and HFS agreed with all five recommendations in the audit report.

1. In FY16, there were 106,447 enrollees at any point in EXPANDED ALL KIDS and the total cost of services provided was \$97.2 million.
2. The total number of recipients as of June 30<sup>th</sup> was 66,258 in FY15 and 67,776 in FY16. In FY16, the number of citizen/documentated immigrants slightly increased while the number of undocumented immigrants slightly decreased.
3. Of the 28,588 EXPANDED ALL KIDS recipients that required an annual redetermination of eligibility in FY16, we found 2,104 (7%) were not redetermined annually as required.
4. In FY16, 159 recipients received 793 services totaling \$111,029 after the month of their 19<sup>th</sup> birthday. Additionally, there were 437 individuals who appeared to be enrolled with more than one identification number.
5. HFS and DHS did not identify the correct citizenship status for 4,521 recipients, and as a result, the State lost \$2.4 million in federal matching Medicaid funds in FY16. The State also lost \$2.8 million in federal reimbursement in FY15 – for a total of \$5.2 million lost in federal reimbursement over the last two fiscal years. This issue has been reported since the first ALL KIDS audit, which was for FY09.
6. We tested 40 initial eligibility cases and 40 redetermined cases in FY16. We found 30 percent of initial cases, and 20 percent of redetermined cases, were coded as “undocumented” even though we found evidence supporting citizenship or documented immigrant status. We also found the following documentation problems.
  - HFS and DHS were missing at least one piece of required documentation in 78 percent of the initial eligibility cases reviewed in FY16. Of these cases, 23 percent were missing documentation to verify residency, 40 percent were missing documentation to verify birth/age, and 10 percent were missing documentation to verify one month’s income.
  - HFS and DHS were missing at least one piece of required documentation in 100 percent of the redetermined cases reviewed in FY16. Of these cases, 33 percent were missing documentation to verify residency, 80 percent were missing documentation to verify birth/age, and 8 percent were missing documentation to verify one month’s income.
7. We repeated the recommendation that HFS should review and monitor eligibility for orthodontic services more effectively. On January 19, 2017, HFS updated the Administrative Code related to orthodontics and the scoring tool. Since the updates occurred after FY16, follow-up will be completed during the next audit (FY17).



**AUDIT SUMMARY AND RESULTS**

Effective July 1, 2006, Illinois’ KidCare program, which included Medicaid and State Children’s Health Insurance Program (SCHIP) populations, **was expanded** by the Covering ALL KIDS Health Insurance Act (Act) to include all uninsured children not previously covered. The expansion added children whose family income was greater than 200 percent of the federal poverty level and all undocumented immigrant children. At that time, the KidCare program was renamed ALL KIDS.

**Since the EXPANDED ALL KIDS program is a subset of a much larger ALL KIDS program, many of the recommendations in this report may be relevant to the program as a whole.**

Throughout this audit, we will refer to the portion of the ALL KIDS program that serves the uninsured children not previously covered by KidCare as “EXPANDED ALL KIDS.”

Since the EXPANDED ALL KIDS program is a subset of a much larger ALL KIDS program, **many of the recommendations in this report may be relevant to the program as a whole.**

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act (215 ILCS 170/63) directing the Auditor General to annually audit the EXPANDED ALL KIDS program beginning June 30, 2008, and each June 30<sup>th</sup> thereafter. The Public Act was effective June 1, 2009. This is the eighth annual audit (FY16).

This FY16 audit of the EXPANDED ALL KIDS program follows up on the Department of Healthcare and Family Services’ and the Department of Human Services’ actions to address prior audit findings. (pages 1-3)

**ALL KIDS PROGRAM**

**The program included 106,447 EXPANDED ALL KIDS enrollees at any point during FY16, a slight increase of 4% from the previous year (FY15) when there were 102,182 enrollees.**

According to HFS, in FY16, Illinois’ ALL KIDS program as a whole had a total of 1.7 million enrollees and HFS paid \$3.2 billion in claims. The program included 106,447 EXPANDED ALL KIDS enrollees at any point in FY16,

EXPANDED ALL KIDS PROGRAM STATISTICS		
	FY15	FY16
Enrollees at any point	102,182	106,447
Enrollees on June 30	66,258	67,776
Total Cost of Services Provided	\$86,483,128	\$97,230,941
Total Net Cost of Services after Premium Payments	\$73,115,178	\$80,793,336

which is a slight increase (4%) from FY15 when there were 102,182 enrollees. On June 30, 2016, there were 67,776 enrollees. Thirty-eight percent or 25,438 of the enrollees were classified as undocumented immigrants in the HFS data. Digest Exhibit 1 breaks out enrollment by fiscal year, by plan, and by whether the child was classified as a citizen/documentated immigrant or as undocumented.

Digest Exhibit 1 ENROLLMENT BY PLAN <sup>2</sup> For EXPANDED ALL KIDS as of June 30				
EXPANDED ALL KIDS Plan	Citizens/ Documented Immigrants		Undocumented Immigrants	
	FY15	FY16	FY15	FY16
Assist \$35,724 <sup>1</sup>	Part of Medicaid and not part of EXPANDED ALL KIDS		23,757	22,494
Share \$38,148 <sup>1</sup>			466	535
Premium Level 1 \$50,784 <sup>1</sup>			1,279	1,615
Premium Level 2 \$77,280 <sup>1</sup>	40,075	42,338	681	794
<b>Totals</b>	<b>40,075</b>	<b>42,338</b>	<b>26,183</b>	<b>25,438</b>

Notes:  
<sup>1</sup> Denotes the Modified Adjusted Gross Income (MAGI) equivalent income standard for the plan level and the maximum income for a family of four for that plan during FY16.  
<sup>2</sup> Enrollment is the total number of enrollees that were eligible on June 30 of 2015 and 2016. There were 102,182 enrollees eligible at some point during FY15 and 106,447 enrollees eligible at some point during FY16.  
 Source: ALL KIDS enrollment data provided by HFS.

**The cost of services for EXPANDED ALL KIDS has fluctuated over the years ranging from a low of \$70.0 million in FY14 to a high of \$97.2 million in FY16.**

According to claim data provided by HFS, the cost of services for EXPANDED ALL KIDS has fluctuated over the years ranging from a low of \$70.0 million in FY14 to a high of \$97.2 million in FY16. Much of the decrease in the program in FY13 was due to the change in eligibility criteria, which eliminated Premium Level 3 through Level 8. The total cost for undocumented immigrants has continued to decrease each year since FY12. The total cost decreased from \$55.7 million in FY12 to \$38.2 million in FY16.

Digest Exhibit 2 breaks out the payments for services by whether the child had documentation for citizenship/immigration status or whether the child was classified by HFS as undocumented for both FY15 and FY16. Additionally, Digest Exhibit 2 shows the cost of services increased by more than \$10 million from \$86.5 million in FY15 to \$97.2 million in FY16.

**The cost of services has increased by more than \$10 million from \$86.5 million in FY15 to \$97.2 million in FY16.**

In the past, a large portion of the cost for services for the EXPANDED ALL KIDS program was for undocumented immigrants; however, that has not been the case the last two years. In FY09, undocumented immigrants accounted for 70 percent of the total cost for the EXPANDED ALL KIDS program. This percentage has declined since FY09 with undocumented immigrants accounting for only 39 percent of the total cost in FY16. (pages 7-16)

Digest Exhibit 2 COST OF SERVICES PROVIDED BY PLAN For EXPANDED ALL KIDS during Fiscal Years 2015 and 2016						
EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants		Undocumented Immigrants		Totals	
	FY15	FY16	FY15	FY16	FY15	FY16
Assist \$35,724 <sup>1</sup>	Part of Medicaid and not part of EXPANDED ALL KIDS		\$35,590,141	\$34,836,337	\$35,590,141	\$34,836,337
Share \$38,148 <sup>1</sup>			\$607,404	\$663,817	\$607,404	\$663,817
Premium Level 1 \$50,784 <sup>1</sup>			\$1,422,136	\$1,940,735	\$1,422,136	\$1,940,735
Premium Level 2 \$77,280 <sup>1</sup>	\$48,197,260 <sup>3</sup>	\$59,034,547 <sup>3</sup>	\$666,187	\$755,504	\$48,863,447	\$59,790,051
<b>Totals<sup>2</sup></b>	<b>\$48,197,260</b>	<b>\$59,034,547</b>	<b>\$38,285,868</b>	<b>\$38,196,393</b>	<b>\$86,483,128</b>	<b>\$97,230,941</b>

Notes:  
<sup>1</sup> Denotes the Modified Adjusted Gross Income (MAGI) equivalent income standard for the plan level and the maximum income for a family of four for that plan during FY16.  
<sup>2</sup> Totals may not add due to rounding.  
<sup>3</sup> The federal matching rate was 88.62 percent in FY15 and FY16; therefore, the State's share for services was \$5.5 million in FY15 and \$6.7 million in FY16.  
 Source: ALL KIDS data provided by HFS.

**FY16 AUDIT FINDINGS AND RECOMMENDATIONS**

All five issues from our previous FY15 audit were repeated during the FY16 audit. These five recommendations included areas related to redeterminations, data reliability, classification of documented immigrants, eligibility documentation, and policies covering orthodontic treatment.

**1. Redetermination of Eligibility**

**2,104 of the 28,588 (7%) were not redetermined annually as required by the Act.**

During our review of all eligibility redeterminations for EXPANDED ALL KIDS recipients made in FY16, we found that HFS and DHS did not complete redeterminations of eligibility **annually** for all recipients as required by the Covering ALL KIDS Health Insurance Act. According to the data provided by HFS, 28,588 EXPANDED ALL KIDS recipients required a redetermination of eligibility in FY16. Our analysis of the data showed that 2,104 of the 28,588 (7%) were not redetermined annually as required by the Act. (pages 17-19)

**2. ALL KIDS Eligibility Data**

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

During our review of the FY16 EXPANDED ALL KIDS eligibility data, we continued to find that eligibility data contained individuals who were over the age of 18 and who were enrolled in ALL KIDS more than once. In the FY16 data, we identified 159 recipients that received 793 services totaling \$111,029 after the month of their 19<sup>th</sup> birthday. We also identified 437 individuals who appeared to be enrolled with more than one identification number. If recipients maintain eligibility after reaching the age of 19, or if recipients have eligibility under more than one recipient identification

number, the State may provide services for non-eligible recipients. (pages 19-20)

### 3. Classification of Documented Immigrants

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

**As a result of the miscoding errors, the State is annually losing federal matching dollars. A total of \$5.2 million was lost in federal reimbursement over the last two fiscal years (FY15 and FY16).**

We determined the FY16 eligibility data contained 4,521 “undocumented” recipients who had social security numbers that were verified, of which 139 also had an alien registration number. We reviewed the services provided to the 4,521 “undocumented” recipients in FY16 and determined they had 63,001 services for a total cost of almost \$4.6 million. This recommendation related to the miscoding of documented immigrant status has been an issue since the first ALL KIDS audit, which was for FY09. It continues to be an issue that has not been adequately addressed by either HFS or DHS. As a result of the miscoding errors, the State is annually losing federal matching dollars. In FY16, the total federal reimbursement lost was \$2.4 million. Additionally, the State at a minimum did not collect \$2.8 million in federal reimbursement in FY15 – for a total of **\$5.2 million** lost in federal reimbursement over the last two fiscal years.

#### Initial Eligibility Testing

**12 of the 40 new recipients sampled (30%) were coded as undocumented but were likely citizens or documented immigrants.**

During our testing of 40 new cases that were approved during May and June 2016, we found that 12 of the cases were coded as undocumented but likely should have been coded as citizens/documented immigrants, as there was documentation to support citizenship or documented immigrant status for each of the 12 classified as undocumented. Many of the cases had documentation verifying the recipient’s social security number and/or alien status. Therefore, a total of 12 of 40 recipients sampled (30%) who were coded as undocumented were likely citizens or documented immigrants. We provided these 12 to DHS, and DHS officials agreed they were likely documented.

**8 of the 40 redetermined recipients sampled (20%) were coded as undocumented but were likely citizens or documented immigrants.**

#### Eligibility Testing for Redetermination

During our review of 40 recipients that were redetermined during May or June 2016, we found 8 of the 40 recipients sampled (20%) were coded as undocumented even though the enrollees had a verified social security number supporting they were likely citizens or documented immigrants. We

provided these eight to DHS, and DHS officials agreed they were likely documented. (pages 20-22)

#### **4. Eligibility Documentation**

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

##### **Initial Eligibility Testing**

**Residency was not verified in 9 of the 40 (23%) of the initial eligibility cases tested, and birth/age information was not verified in 16 of the 40 (40%) cases tested.**

We randomly selected 40 of the 500 new cases approved during May and June 2016 and found significant issues. Residency was not verified in 9 of the 40 (23%) cases tested, and birth/age information was not verified in 16 of the 40 (40%) cases tested. Of the 40 cases tested, 21 reported having income. We found 30 days of income was not reviewed in 10 percent (2 of 21) of the cases where income was reported. Of the 40 cases reviewed, 78% were missing at least one piece of required documentation (verification of residency, birth/age, or income).

##### **Eligibility Redetermination Testing**

**Residency was not verified in 13 of the 40 (33%) of the redetermination cases tested, and birth/age information was not verified in 32 of the 40 (80%) cases tested.**

We also tested 40 of the medical only redeterminations that occurred during May and June 2016 and found issues regarding Illinois residency, birth/age, and income documentation. Residency was not verified in 13 of the 40 (33%) cases tested, and birth/age information was not verified in 32 of the 40 (80%) cases tested. We found 30 days of income was not reviewed in 8 percent (3 of 37) of the cases where income was reported. Of the 40 cases reviewed, 100% were missing at least one piece of required documentation (verification of residency, birth/age, or income). (pages 23-26)

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

We repeated the recommendation that HFS should review and monitor eligibility for orthodontic services more effectively since updates occurred after the audit period for this FY16 audit. From FY10 to FY14, expenditures by the State for orthodontic services for children in EXPANDED ALL KIDS increased dramatically. In FY10, the EXPANDED ALL KIDS program paid for only \$322,892 in orthodontic services. By FY14, 4,020 EXPANDED ALL KIDS recipients had orthodontic services totaling \$3.6 million. This increase corresponds to the time when the scoring tool used to determine

medical necessity for orthodontic services was revised. A review conducted by the HFS Office of the Inspector General concluded that revisions and clarifications to policies establishing medical necessity should be made, as well as requiring additional documentation to support medical necessity.

HFS agreed with this recommendation and indicated it would review the issues raised and take appropriate action. Since the FY14 audit was released in February 2016, and the audit period for the FY15 audit ended earlier on June 30, 2015, this recommendation was repeated in FY15. On January 19, 2017, HFS updated the Administrative Code related to orthodontics and the scoring tool. Since the updates occurred after FY16, follow-up will be completed during the next FY17 audit. (pages 27-29)

### **RECOMMENDATIONS**

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

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

**SIGNED ORIGINAL ON FILE**

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Ameen Dada  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO  
Auditor General

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