



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

REPORT DIGEST

**PROGRAM
AUDIT**

For the Year Ended:
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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 30th thereafter. This is the **ninth** annual audit (FY17), 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. HFS and DHS agreed with all five recommendations in the audit report.

1. In FY17, there were 104,856 enrollees at any point in EXPANDED ALL KIDS and the total cost of services provided was \$103.1 million.
2. The total number of recipients as of June 30th was 67,776 in FY16 and 66,353 in FY17. In FY17, the number of citizen/documentated immigrants slightly increased while the number of undocumented immigrants slightly decreased.
3. Of the 33,531 recipients that required an annual redetermination of eligibility in FY17, we found 2,411 (7%) were not redetermined annually as required.
4. In FY17, 134 recipients received 740 services totaling \$166,338 after the month of their 19th birthday. Additionally, there were 428 individuals who appeared to be enrolled with more than one identification number.
5. HFS and DHS did not identify the correct citizenship status for 4,949 recipients, and as a result, the State lost an estimated \$2.9 million in federal matching Medicaid funds in FY17. The State also lost federal matching Medicaid funds in FY15 and FY16 – for an estimated total of \$8.1 million lost in federal reimbursement over the last three fiscal years. This issue has been reported since the FY09 ALL KIDS audit.
6. We tested 40 initial eligibility cases and 40 redetermined cases in FY17. We found 43 percent of initial cases, and 23 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 50 percent of the initial eligibility cases reviewed in FY17. Of these cases, 18 percent were missing documentation to verify residency, 35 percent were missing documentation to verify birth/age, and 8 percent were missing documentation to verify one month’s income.
 - HFS and DHS were missing at least one piece of required documentation in 73 percent of the redetermined cases reviewed in FY17. Of these cases, 33 percent were missing documentation to verify residency, 63 percent were missing documentation to verify birth/age, and 20 percent were missing documentation to verify one month’s income.
7. The recommendation on policies covering orthodontic treatment was partially repeated in FY17. We found that HFS should review the membership requirements for the Dental Policy Review Committee and more effectively monitor the recipients receiving care under the MCO part of the program to ensure these recipients are receiving the same access to care as the recipients under the FFS part of the program.

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 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 (FPL) 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 our audits, we 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 30th thereafter. The Public Act was effective June 1, 2009. This is the ninth annual audit (FY17).

This FY17 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 1-2)

ALL KIDS Program

The program included 104,856 EXPANDED ALL KIDS enrollees at any point during FY17, a slight decrease of 1.5% from the previous year (FY16) when there were 106,447 enrollees.

According to HFS, in FY17, 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 104,856 EXPANDED ALL KIDS enrollees at any

EXPANDED ALL KIDS PROGRAM STATISTICS		
	FY16	FY17
Enrollees at any point	106,447	104,856
Enrollees on June 30	67,776	66,353
Total Cost of Services Provided	\$97,230,941	\$103,054,764
Total Net Cost of Services after Premium Payments	\$80,793,336	\$85,068,952

point in FY17, which is a slight decrease (1.5%) from FY16 when there were 106,447 enrollees. On June 30, 2017, there were 66,353 enrollees. Thirty-six percent or 23,918 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 ² For EXPANDED ALL KIDS as of June 30				
EXPANDED ALL KIDS Plan	Citizens/ Documented Immigrants		Undocumented Immigrants	
	FY16	FY17	FY16	FY17
Assist \$36,168 ¹	Part of Medicaid and not part of EXPANDED ALL KIDS		22,494	21,132
Share \$38,628 ¹			535	574
Premium Level 1 \$51,420 ¹			1,615	1,516
Premium Level 2 \$78,228 ¹	42,338	42,435	794	696
Totals	42,338	42,435	25,438	23,918

Notes:

¹ 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 effective 4/2017. Although the monthly income standards changed during FY17, these were the most recent effective amounts and were utilized during the months tested for the audit.

² Enrollment is the total number of enrollees that were eligible on June 30 of 2016 and 2017. There were 106,447 enrollees eligible at some point during FY16 and 104,856 enrollees eligible at some point during FY17.

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 \$103.1 million in FY17.

The cost of services has increased by nearly \$6 million from \$97.2 million in FY16 to \$103.1 million in FY17.

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 \$103.1 million in FY17. 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 \$37.0 million in FY17.

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 FY16 and FY17. Additionally, Digest Exhibit 2 shows the cost of services increased by nearly \$6 million from \$97.2 million in FY16 to \$103.1 million in FY17.

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 three 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 36 percent of the total cost in FY17. (pages 8-15)

Digest Exhibit 2 COST OF SERVICES PROVIDED BY PLAN For EXPANDED ALL KIDS during Fiscal Years 2016 and 2017						
EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants		Undocumented Immigrants		Totals ²	
	FY16	FY17	FY16	FY17	FY16	FY17
Assist \$36,168 ¹	Part of Medicaid and not part of EXPANDED ALL KIDS		\$34,836,337	\$33,034,213	\$34,836,337	\$33,034,213
Share \$38,628 ¹			\$663,817	\$767,717	\$663,817	\$767,717
Premium Level 1 \$51,420 ¹			\$1,940,735	\$2,374,695	\$1,940,735	\$2,374,695
Premium Level 2 \$78,228 ¹	\$59,034,547 ³	\$66,075,439 ³	\$755,504	\$802,701	\$59,790,051	\$66,878,139
Totals²	\$59,034,547	\$66,075,439	\$38,196,393	\$36,979,325	\$97,230,941	\$103,054,764

Notes:

¹ 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 effective 4/2017. Although the monthly income standards changed during FY17, these were the most recent effective amounts and were utilized during the months tested for the audit.

² Totals may not add due to rounding.

³ The federal matching rate was 88.62 percent in FY16 and 88.91 percent in FY17; therefore, the State's estimated share for services was \$6.7 million in FY16 and \$7.3 million in FY17.

Source: ALL KIDS data provided by HFS.

FY17 Audit Findings and Recommendations

All five issues from our previous FY16 audit were repeated or partially repeated during this FY17 audit. The five recommendations were related to redeterminations, data reliability, classification of documented immigrants, eligibility documentation, and policies covering orthodontic treatment.

1. Redetermination of Eligibility

During our review of all eligibility redeterminations for EXPANDED ALL KIDS recipients made in FY17, we found that redeterminations of eligibility were not completed **annually** for all recipients as required by the Covering ALL KIDS Health Insurance Act. According to the data provided by HFS, 33,531 EXPANDED ALL KIDS recipients required a redetermination of eligibility in FY17. Our data analysis showed that 2,411 of the 33,531 (7%) were not redetermined annually as required by the Act. (pages 1-2, 17-20)

2,411 of the 33,351 (7%) were not redetermined annually as required by the Act.

2. ALL KIDS Eligibility Data

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

During our review of the FY17 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 FY17 data, we identified 134 recipients that received 740 services totaling \$166,338 after the month of their 19th birthday. We also identified 428 individuals who appeared to be enrolled with more than one identification number. If recipients maintain eligibility after 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 20-21)

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. An estimated total of \$8.1 million in federal reimbursement was lost over the last three fiscal years (FY15 through FY17).

We determined the FY17 eligibility data contained 4,949 “undocumented” recipients who had social security numbers that were verified, of which 165 also had an alien registration number. We reviewed the services provided to the 4,949 “undocumented” recipients in FY17 and determined they had 50,223 services for a total cost of almost \$5.4 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. As a result of the miscoding errors, the State is annually losing federal matching dollars. In FY17, we estimated that the State at a minimum did not collect \$2.9 million in federal reimbursement for the \$5.4 million in services in FY17. Additionally, we estimated that the State at a minimum did not collect \$2.4 million in federal reimbursement in FY16 and \$2.8 million in federal reimbursement in FY15 – for a total estimated loss of **\$8.1 million** in federal reimbursement over the last three fiscal years.

Initial Eligibility Testing

17 of the 40 new recipients sampled (43%) were coded as undocumented but were likely citizens or documented immigrants.

During our review of 40 new cases that were approved during May and June 2017, we found that 17 of the cases (43%) were coded as undocumented but likely should have been coded as citizens/documented immigrants, as there was documentation to support citizenship or documented immigrant status for each of the 17 classified as undocumented. Many of the cases had documentation verifying the recipient’s social security number and/or alien status. We provided these 17 to DHS, and DHS agreed they were likely documented.

Redetermination of Eligibility Testing

9 of the 40 redetermined recipients sampled (23%) were coded as undocumented but were likely citizens or documented immigrants.

During our review of 40 recipients that were redetermined during May and June 2017, we found 9 of the recipients (23%) 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 nine to DHS, and DHS agreed they were likely documented. (pages 21-24)

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 these 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 7 of the 40 (18%) of the initial eligibility cases tested, and birth/age information was not verified in 14 of the 40 (35%) cases tested.

We randomly selected 40 of the 435 new cases approved during May and June 2017 and found significant issues. Residency was not verified in 7 of the 40 (18%) cases tested, and birth/age information was not verified in 14 of the 40 (35%) cases tested. Of the 40 cases tested, 24 reported having income. We found 30 days of income was not reviewed in 2 of the 24 cases (8%) where income was reported. Of the 40 cases reviewed, 20 cases (50%) 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 25 of the 40 (63%) cases tested.

We also tested 40 of the medical only redeterminations that occurred during May and June 2017 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 25 of the 40 (63%) cases tested. Of the 40 cases tested, 35 reported having income. We found 30 days of income was not reviewed in 7 of the 35 cases (20%) where income was reported. Of the 40 cases reviewed, 29 cases (73%) were missing at least one piece of required documentation (verification of residency, birth/age, or income). (pages 24-29)

5. Policies Covering Orthodontic Treatment

The FY14 EXPANDED ALL KIDS audit concluded that the State’s expenditures for orthodontic services for children in EXPANDED ALL

KIDS increased dramatically from FY10 to FY14. The HFS Office of the Inspector General (OIG) conducted a review during this FY14 audit, which concluded that revisions and clarifications to policies establishing medical necessity should be made and additional documentation to support medical necessity should be required. The FY14 EXPANDED ALL KIDS audit also identified a lack of documentation related to orthodontic claims and the need for improvements in HFS orthodontic policies and documentation of medical necessity.

To address these issues, HFS updated the Administrative Code and also revised the scoring tool. Since the Administrative Code related to orthodontics and the scoring tool became effective on January 19, 2017, this recommendation was not followed up on until this FY17 audit.

In order to follow up for this audit, we tested a random sample of 25 EXPANDED ALL KIDS recipients who submitted documentation for approval for orthodontic services in June 2017. For the 25 cases reviewed, we concluded that the issues identified in the first bullet of the FY14 audit recommendation (see text box) had been resolved during FY17. We found that DentaQuest was receiving and maintaining documentation needed to support orthodontia approvals for EXPANDED ALL KIDS recipients receiving care under the fee-for-service (FFS) part of the program.

FY14 Audit Recommendation on Policies Covering Orthodontic Treatment

We recommended that the Department of Healthcare and Family Services should:

- ensure DentaQuest is receiving and maintaining documentation to support orthodontia approvals;
- examine and address the issues raised by the OIG in its review of orthodontic claims; and
- more effectively monitor the actions taken by DentaQuest (the State's contractual Dental Program Administrator).

In addition, according to the OIG, the actions taken by HFS were sufficient to meet the problems identified in the second bullet of the FY14 EXPANDED ALL KIDS audit recommendation (see text box). However, the OIG further stated that although the actions taken by HFS were sufficient for the EXPANDED ALL KIDS recipients receiving orthodontic care under the FFS part of the program, the OIG could not comment on the status of the EXPANDED ALL KIDS recipients receiving care under the Managed Care Organization (MCO) part of the program.

We found that the member requirements in the FY17 Dental Policy Review Committee bylaws were not met for FY17.

The FY14 EXPANDED ALL KIDS audit also recommended that HFS more effectively monitor the actions taken by DentaQuest (see text box). We followed up and concluded that HFS was more effectively monitoring the actions taken by DentaQuest through required reports and meetings for the FFS part of the program. However, we did identify an issue related to the membership requirements listed in the Dental Policy Review Committee

(Committee) bylaws. We found that the member requirements in the FY17 Committee’s bylaws were not met for FY17.

We found that HFS needs to more effectively monitor the EXPANDED ALL KIDS orthodontic recipients receiving care under the MCO part of the program and ensure that these recipients are receiving the same access to services as the EXPANDED ALL KIDS orthodontic recipients receiving care under the FFS part of the program.

Furthermore, although sufficient monitoring information was provided for the EXPANDED ALL KIDS orthodontic recipients receiving care under the FFS part of the program, HFS was unable to provide similar monitoring information for the EXPANDED ALL KIDS orthodontic recipients receiving care under the MCO part of the program. Due to the fact that a significant percentage of recipients in the EXPANDED ALL KIDS program were receiving orthodontic care under the MCO part of the program in FY17 and the number of these recipients continues to grow every year, we found that HFS needs to more effectively monitor the EXPANDED ALL KIDS orthodontic recipients receiving care under the MCO part of the program and ensure that these recipients are receiving the same access to services as the EXPANDED ALL KIDS orthodontic recipients receiving care under the FFS part of the program. (pages 29-39)

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 I 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

Joe Butcher
Division Assistant Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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