



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

Frank J. Mautino, Auditor General

**REPORT DIGEST**

**PROGRAM  
AUDIT**

For the Year Ended:  
June 30, 2018

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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 **tenth** annual audit (FY18) of the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings.

Integrated Eligibility System (IES) Phase II was implemented during FY18. FY18 data was obtained and reported in this audit as required but there are limitations affecting the accuracy of this data as outlined in Appendix B. HFS and DHS agreed with all five recommendations in the audit report.

1. In FY18, there were 93,944 enrollees at any point in EXPANDED ALL KIDS and the total cost of services provided was \$104.3 million.
2. The total number of recipients as of June 30<sup>th</sup> was 66,353 in FY17 and 63,255 in FY18. Both citizens and undocumented immigrants slightly decreased in FY18.
3. In FY17, we found that 2,411 of the 33,531 recipients (7%) were not redetermined annually as required. In FY18, this recommendation was repeated because we could not follow up on this recommendation for FY18.
4. In FY18, 689 recipients received 3,638 services totaling \$475,813 after the month of their 19th birthday. Additionally, there were 181 individuals who appeared to be enrolled with more than one identification number.
5. HFS and DHS did not identify the correct citizenship status for 4,204 recipients, and as a result, the State lost an estimated \$2.6 million in federal matching Medicaid funds in FY18. The State also lost federal matching Medicaid funds in FY15 through FY17 – for an estimated total of \$10.7 million lost in federal reimbursement over the last four fiscal years. This issue has been reported since the FY09 ALL KIDS audit.
6. We tested 40 initial eligibility cases, 40 redetermined cases, and 15 additional undocumented redetermined cases as part of our fieldwork testing for FY18.
  - We found 42 percent of initial cases, 15 percent of redetermined cases, and 40 percent of additional redetermined cases were coded as “undocumented” even though we found evidence supporting citizenship or documented immigrant status.
  - We also found HFS and DHS were missing at least one piece of required documentation (residency, age, and/or one month’s income verification) in 35 percent of initial eligibility cases, 20 percent of redetermined cases, and 67 percent of additional redetermined cases.
7. The updated FY17 recommendation on policies covering orthodontic treatment was repeated in FY18. HFS did not have sufficient time to address these updates on more effectively monitoring orthodontic recipients under the MCO part of the program and reviewing membership requirements for the Dental Policy Review Committee.
8. Public Act 101-0272, effective August 9, 2019, amended the Covering ALL KIDS Health Insurance Act. As a result, the ALL KIDS audit will change from being performed annually to being performed every three years.



**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 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 tenth annual audit (FY18).

This FY18 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 93,944 EXPANDED ALL KIDS enrollees at any point during FY18, a decrease of 10% from the previous year (FY17) when there were 104,856 enrollees.**

According to HFS, in FY18, Illinois’ ALL KIDS program as a whole had a total of almost 1.7 million enrollees and HFS paid nearly \$3.2 billion in claims. The program included 93,944 EXPANDED ALL KIDS enrollees at any point in FY18, which decreased (10%) from FY17 when there were

EXPANDED ALL KIDS PROGRAM STATISTICS		
	FY17	FY18
Enrollees at any point	104,856	93,944
Enrollees on June 30	66,353	63,255
Total Cost of Services Provided	\$103,054,764	\$104,320,137
Total Net Cost of Services after Premium Payments	\$85,068,952	\$88,066,128
Note: There are limitations affecting the accuracy of the FY18 data due to the implementation of IES Phase II (see Appendix B for more information).		

104,856 enrollees. On June 30, 2018, there were 63,255 enrollees. Thirty-five percent or 22,187 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 <b>ENROLLMENT BY PLAN</b> <sup>2</sup> For EXPANDED ALL KIDS as of June 30 <sup>3</sup>				
EXPANDED ALL KIDS Plan	Citizens/ Documented Immigrants		Undocumented Immigrants	
	FY17	FY18	FY17	FY18
<b>Assist</b> \$36,900 <sup>1</sup>	Part of Medicaid and not part of EXPANDED ALL KIDS		21,132	19,781
<b>Share</b> \$39,408 <sup>1</sup>			574	507
<b>Premium Level 1</b> \$52,464 <sup>1</sup>			1,516	1,297
<b>Premium Level 2</b> \$79,824 <sup>1</sup>	42,435	41,068	696	602
<b>Totals</b>	<b>42,435</b>	<b>41,068</b>	<b>23,918</b>	<b>22,187</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 effective 4/2018. Although the monthly income standards changed during FY18, these were the most recent effective amounts and were utilized during the months tested for the audit.

<sup>2</sup> Enrollment is the total number of enrollees that were eligible on June 30 of 2017 and 2018. There were 104,856 enrollees eligible at some point during FY17 and 93,944 enrollees eligible at some point during FY18.

<sup>3</sup> There are limitations affecting the accuracy of the FY18 data due to the implementation of IES Phase II (see Appendix B for more information).

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 \$104.3 million in FY18.**

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 \$104.3 million in FY18. 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 \$35.9 million in FY18.

**The cost of services has increased by over \$1 million from \$103.1 million in FY17 to \$104.3 million in FY18.**

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 FY17 and FY18. Additionally, Digest Exhibit 2 shows the cost of services increased by over \$1 million from \$103.1 million in FY17 to \$104.3 million in FY18.

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 four 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 34 percent of the total cost in FY18. (pages 9-16)

Digest Exhibit 2 <b>COST OF SERVICES PROVIDED BY PLAN</b> For EXPANDED ALL KIDS during Fiscal Years 2017 and 2018 <sup>4</sup>						
EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants		Undocumented Immigrants		Totals <sup>2</sup>	
	FY17	FY18	FY17	FY18	FY17	FY18
Assist \$36,900 <sup>1</sup>	Part of Medicaid and not part of EXPANDED ALL KIDS		\$33,034,213	\$32,145,283	\$33,034,213	\$32,145,283
Share \$39,408 <sup>1</sup>			\$767,717	\$876,331	\$767,717	\$876,331
Premium Level 1 \$52,464 <sup>1</sup>			\$2,374,695	\$2,255,529	\$2,374,695	\$2,255,529
Premium Level 2 \$79,824 <sup>1</sup>	\$66,075,439 <sup>3</sup>	\$68,396,589 <sup>3</sup>	\$802,701	\$646,404	\$66,878,139	\$69,042,993
<b>Totals <sup>2</sup></b>	<b>\$66,075,439</b>	<b>\$68,396,589</b>	<b>\$36,979,325</b>	<b>\$35,923,548</b>	<b>\$103,054,764</b>	<b>\$104,320,137</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 effective 4/2018. Although the monthly income standards changed during FY18, these were the most recent effective amounts and were utilized during the months tested for the audit.

<sup>2</sup> Totals may not add due to rounding.

<sup>3</sup> The federal matching rate was 88.91 percent in FY17 and 88.52 percent in FY18; therefore, the State's estimated share for services was \$7.3 million in FY17 and \$7.9 million in FY18.

<sup>4</sup> There are limitations affecting the accuracy of the FY18 data due to the implementation of IES Phase II (see Appendix B for more information).

Source: ALL KIDS data provided by HFS.

**FY18 Audit Findings and Recommendations**

All five issues from our previous FY17 audit were repeated or partially repeated during this FY18 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**

The FY17 audit found that 2,411 of the 33,531 recipients (7%) were not redetermined annually for all recipients as required by the Covering ALL KIDS Health Insurance Act. We could not follow up on this recommendation for FY18 due to a missing data field needed for our review as well as redetermination dates being extended to FY19. We will follow up on this recommendation during our next audit. (pages 1-2, 17-21)

**In FY18, we could not follow up on the first recommendation due to a missing data field needed for our review as well as redetermination dates being extended to FY19.**

## 2. ALL KIDS Eligibility Data

**689 recipients received 3,638 services totaling \$475,813 after the month of their 19th birthday.**

During our review of the FY18 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 FY18 data, we identified 689 recipients that received 3,638 services totaling \$475,813 after the month of their 19th birthday. We also identified 181 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 21-22)

## 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 \$10.7 million in federal reimbursement was lost over the last four fiscal years (FY15 through FY18).**

We determined the FY18 eligibility data contained 4,204 “undocumented” recipients who had social security numbers that were verified, of which 229 also had an alien registration number. We reviewed the services provided to the 4,204 “undocumented” recipients in FY18 and determined they had 34,697 services for a total cost of almost \$5.0 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 FY18, we estimated that the State at a minimum did not collect \$2.6 million in federal reimbursement for the \$5.0 million in services in FY18. Additionally, we estimated that the State at a minimum did not collect \$2.9 million in federal reimbursement in FY17, \$2.4 million in federal reimbursement in FY16, and \$2.8 million in federal reimbursement in FY15 – for a total estimated loss of **\$10.7 million** in federal reimbursement over the last four fiscal years.

### **Initial Eligibility Testing**

**14 of the 33 new recipients sampled (42%) 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 2018, we found that 14 of the 33 cases (42%) 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 14 classified as undocumented. The other 7 recipients were coded as citizens. We provided these 14 cases to DHS, and DHS officials agreed they were likely documented.

## Redetermination of Eligibility Testing

**2 of the 13 redetermined recipients sampled (15%) were coded as undocumented but were likely citizens or documented immigrants. 6 of 15 additional redetermined recipients (40%) were coded as undocumented but were likely citizens or documented immigrants.**

During our review of 40 recipients that were redetermined during May and June 2018, we found 2 of 13 recipients sampled (15%) were coded as undocumented even though we found documentation verifying the recipient’s social security number and/or alien status. The other 27 recipients were coded as citizens.

Since only 13 recipients in the original redetermination sample were coded as undocumented, we performed an additional redetermination sample of 15 undocumented recipients. We found that 6 of 15 recipients sampled (40%) were coded as undocumented but likely should have been coded as citizens/documented immigrants. We provided these eight cases to DHS (two cases from the original redetermination sample and six cases from the additional redetermination sample), and DHS officials agreed they were likely documented. (pages 23-26)

### 4. Eligibility Documentation

HFS and DHS attempt to determine eligibility for undocumented immigrants using various data matching techniques to determine residency, income, and citizenship/immigration status. During our review of the new and continued eligibility process for EXPANDED ALL KIDS, we determined the data matching component used by IES (and previously the Illinois Medicaid Redetermination Project) cannot be utilized for 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

**During initial eligibility testing, 14 of 40 cases (35%) were missing at least one piece of required documentation.**

We randomly selected 40 of the 1,566 new cases approved during May and June 2018 and found significant issues. Residency was not verified in 8 of the 40 (20%) cases tested, and birth/age information was not verified in 11 of the 40 (28%) cases tested. Of the 40 cases tested, 22 reported having income. We found 30 days of income was not reviewed in 2 of the 22 cases (9%) where income was reported. Of the 40 cases reviewed, 14 cases (35%) were missing at least one piece of required documentation (verification of residency, birth/age, or income).

**Eligibility Redetermination Testing**

**During eligibility redetermination testing, 8 of 40 cases (20%) were missing at least one piece of required documentation.**

We also tested 40 of the medical only redeterminations that occurred during May and June 2018 and found issues regarding Illinois residency, birth/age, and income documentation. Residency was not verified in 4 of the 40 (10%) cases tested, and birth/age information was not verified in 5 of the 40 (13%) cases tested. Of the 40 cases tested, 38 reported having income. We found 30 days of income was not reviewed in 2 of the 38 cases (5%) where income was reported. Of the 40 cases reviewed, 8 cases (20%) were missing at least one piece of required documentation (verification of residency, birth/age, or income).

**For the additional sample of redeterminations, 10 of 15 cases (67%) were missing at least one piece of required documentation.**

Since only 13 cases in the random sample of 40 redeterminations were undocumented, we performed an additional random sample of 15 EXPANDED ALL KIDS undocumented recipients whose medical eligibility was redetermined during either May or June 2018. Residency was not verified in 8 of 15 cases tested (53%) and birth/age information was not verified in 5 of 15 cases tested (33%). We also found 30 days of income was not verified in 1 of 12 cases tested (8%). Of the 15 cases reviewed, 10 cases (67%) were missing at least one piece of required documentation (verification of residency, birth/age, or income). (pages 26-32)

**5. Policies Covering Orthodontic Treatment**

The fifth audit recommendation was not recommended until the FY14 audit. This audit recommendation was not followed up on until the FY17 audit because the Administrative Code (89 Ill. Adm. Code 140.421) related to orthodontics and the scoring tool did not become effective until January 19, 2017 (FY17). During the FY17 audit, this audit recommendation was updated and partially repeated (see text box).

For the updated FY17 orthodontics recommendation, we determined that HFS was not effectively monitoring the EXPANDED ALL KIDS recipients receiving care under the MCO part of the program and ensuring that the State’s dental administrator subcontractors were following the same requirements in the new Administrative Code and using the scoring tool for these recipients. We also found that the Dental Policy Review Committee (Committee) membership requirements were not met and there was an unbalanced representation of committee members.

**FY17 Updated Audit Recommendation on Policies Covering Orthodontic Treatment**

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

- 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; and
- review the membership requirements for the Dental Policy Review Committee and update the Dental Policy Review Committee bylaws accordingly.

Since the previous FY17 audit was released in March 2019, HFS did not have sufficient time to address the FY17 updated audit recommendation for this FY18 audit. However, we did request and update data to provide updated FY18 information related to initial orthodontic placements and current orthodontic recipients. In order to update this data, we had to request FY18 encounter data from HFS. Therefore, although this FY18 encounter data was obtained and reported in this audit to provide updated FY18 information, there are limitations affecting this data as outlined in Appendix B of this audit report.

From the FY18 encounter data received, we found that the number of initial orthodontic placements continued to drop in FY18. Initial orthodontic placements were 1,138 in FY14, 1,287 in FY15, 1,557 in FY16, 1,252 in FY17, and 708 in FY18. We also found that the percentage of current MCO recipients receiving services remained about the same and continued to be significant from FY17 to FY18. The percent of MCO recipients receiving orthodontic services was 42 percent in FY17 and 41 percent in FY18.

**Due to the fact that HFS did not have sufficient time to address the FY17 audit recommendation, the fifth recommendation was repeated for FY18.**

We also requested and updated FY18 information related to the dental administrator contracts and Committee meetings. We found no improvements had been made yet to address the problems identified in the FY17 updated audit recommendation during FY18. Due to the fact that HFS did not have sufficient time to address the FY17 audit recommendation, this recommendation was repeated for FY18. We will follow up on both parts of this recommendation during our next audit. (pages 32-36)

### **Future EXPANDED ALL KIDS Audits**

Public Act 101-0272, effective August 9, 2019, amended the Covering ALL KIDS Health Insurance Act. This Act requires the Auditor General to perform an audit of the Program on or before June 30, 2022 and every 3 years thereafter (rather than annually). Therefore, upon the completion of this FY18 audit, the ALL KIDS audit will change from being performed annually to being performed every three years. (pages 2-3)

**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 G 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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Joe Butcher  
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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