SIKICH®

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2017

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

SIKICH.COM

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

TABLE OF CONTENTS

Financial Statement Report:

The Department's financial statement report for the year ended June 30, 2017, which includes the Independent Auditor's Report, Basic Financial Statements and Notes to the Basic Financial Statements, Supplementary Information, and the Independent Auditor's 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*, has been issued separately.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

TABLE OF CONTENTS

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

AGENCY OFFICIALS

Director	Felicia F. Norwood
Assistant Director	Vacant
Chief of Staff	Ray Marchiori (through 8/18/2017) Vacant (8/19/2017 to 12/15/2017) Shawn McGady (12/16/2017 to current)
Deputy Directors	
Community Outreach	Vacant
Administrative Operations	Richard Foxman (through 12/18/2017) Vacant (12/19/2017 to current)
Human Resources	Vacant
Strategic Planning	Michael Taylor (through 7/15/2016) Vacant (7/16/2016 to 7/31/2016) Douglas O'Brien (8/1/2016 to 8/11/2017) Vacant (8/12/2017 to current)
General Counsel	Mollie Zito (through 1/31/2018) Vacant (2/1/2018 to 2/22/2018) Christopher Gange, Acting (2/23/2018 to current)
Inspector General	Bradley Hart
Administrators	
Division of Child Support Services	Pamela Lowry
Division of Finance	Michael Casey
Division of Medical Programs	Vacant (through 7/31/2015) Teresa Hursey, Acting (8/1/2015 to current)
Division of Personnel and Administrative Services	Terri Shawgo, Acting (through 2/29/16) Terri Shawgo (3/1/16 to current)
Chiefs	
Office of Legislative Affairs	Shawn McGady (through 12/15/2017) Vacant (12/16/2017 to current)
Office of Fiscal Management	Jack Dodds
Office of Information Services	Vacant (through 8/31/2015) Julie Hagele (9/1/2015 to 2/27/2017) Vacant (2/28/2017) Graham Osmonson (3/1/2017 to current)

Department administrative offices are located at:

201 South Grand Avenue East
Springfield, IL 62763

2200 Churchill Road
Springfield, IL 62702

401 South Clinton
Chicago, IL 60607

ILLINOIS DEPARTMENT OF
Healthcare and
Family Services

Bruce Rauner, Governor
Felicia F. Norwood, Director

201 South Grand Avenue East
Springfield, Illinois 62763-0002

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

June 15, 2018

Sikich LLP
132 South Water Street, Suite 300
Decatur, IL 62523

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 Illinois Department of Healthcare and Family Services. 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 Department of Healthcare and Family Services' compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2017 and June 30, 2016, the Department of Healthcare and Family Services has materially complied with the assertions below.

A. The 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. Other than what has been previously disclosed, the 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. Other than what has been previously disclosed, the 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 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-mail: hfs.webmaster@illinois.gov **Internet:** http://www.hfs.illinois.gov/

E. Money or negotiable securities or similar assets handled by the Illinois Department of Healthcare and Family Services on behalf of the State or held in trust by the 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.

Yours truly,

Illinois Department of Healthcare and Family Services

SIGNED ORIGINAL ON FILE

(Felicia F. Norwood, Director)

SIGNED ORIGINAL ON FILE

(Jack Dodds, Chief Financial Officer)

SIGNED ORIGINAL ON FILE

(Christopher Gange, Acting General Counsel)

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.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a qualified opinion on compliance and material weaknesses over internal control.

SUMMARY OF FINDINGS

	Current	2016	2015
GAS Findings	13	4	4
State Compliance Findings	13	N/A	8
Total Findings	26	12	12
GAS New Findings	10	1	4
GAS Repeated Findings	3	3	0
GAS Not Repeated Findings	1	1	3
State Compliance New Findings	9	N/A	5
State Compliance Repeated Findings	4	N/A	3
State Compliance Not Repeated Findings	4	N/A	2

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS*)	
2017-001	16	Inadequate controls over fiscally monitoring Managed Care Organizations	Material Weakness and Material Noncompliance
2017-002	19	Department did not seek potential refunds from Managed Care Organizations	Material Weakness and Material Noncompliance
2017-003	21	Financial statement preparation	Material Weakness

2017-004	26	Inaccurate rate used to pay Managed Care Organizations	Material Weakness and Material Noncompliance
2017-005	28	Incorrect claim payments made to medical providers and Managed Care Organizations	Material Weakness and Material Noncompliance
2017-006	32	Backlog of applications for human service programs	Material Weakness and Material Noncompliance
2017-007	34	Untimely redetermination of eligibility	Material Weakness and Material Noncompliance
2017-008	35	Inaccurate determination of eligibility for human service programs	Significant Deficiency and Material Noncompliance
2017-009	37	Lack of controls over changes to the Integrated Eligibility System	Material Weakness and Material Noncompliance
2017-010	39	Lack of security controls over the IES computing environment	Material Weakness and Material Noncompliance
2017-011	41	Lack of adequate controls over the review of internal controls over service providers	Material Weakness
2017-012	43	Inadequate controls over drug rate changes	Material Weakness and Material Noncompliance
2017-013	45	Inadequate project management over the Pharmacy Benefits Management System	Material Weakness and Material Noncompliance

FINDINGS (STATE COMPLIANCE)

2017-014	47	Noncompliance with the State of Illinois' Constitution	Material Weakness and Material Noncompliance
2017-015	49	Applicant Social Security information in IES not sufficiently supported	Material Weakness and Material Noncompliance

2017-016	50	Inadequate control over Pharmacy Benefit Management System development	Material Weakness and Material Noncompliance
2017-017	52	Failure to publish required managed care enrollment information	Significant Deficiency and Noncompliance
2017-018	53	Inadequate controls over State vehicles	Significant Deficiency and Noncompliance
2017-019	54	Inadequate controls over collections of accounts receivable	Significant Deficiency and Noncompliance
2017-020	56	Insufficient internal controls over expenditures	Significant Deficiency and Noncompliance
2017-021	59	Inadequate controls over personal services	Significant Deficiency and Noncompliance
2017-022	61	Insufficient controls over the University of Illinois Hospital Services Fund	Significant Deficiency and Noncompliance
2017-023	63	Inaccurate payment of Cook County Disproportionate Share Hospital adjustments	Significant Deficiency and Noncompliance
2017-024	64	Noncompliance with the Illinois Public Aid Code – Task Force not formed	Significant Deficiency and Noncompliance
2017-025	65	Failure to maintain a voter information data transfer mechanism	Significant Deficiency and Noncompliance
2017-026	66	Failure to establish rate methodology and file required reports for the Mammography Program	Significant Deficiency and Noncompliance

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

2017-001	16	Inadequate controls over fiscally monitoring Managed Care Organizations	Material Weakness and Material Noncompliance
2017-002	19	Department did not seek potential refunds from Managed Care Organizations	Material Weakness and Material Noncompliance
2017-003	21	Financial statement preparation	Material Weakness and Material Noncompliance

2017-004	26	Inaccurate rate used to pay Managed Care Organizations	Material Weakness and Material Noncompliance
2017-005	28	Incorrect claim payments made to medical providers and Managed Care Organizations	Material Weakness and Material Noncompliance
2017-006	32	Backlog of applications for human service programs	Material Weakness and Material Noncompliance
2017-007	34	Untimely redetermination of eligibility	Material Weakness and Material Noncompliance
2017-008	35	Inaccurate determination of eligibility for human service programs	Material Weakness and Material Noncompliance
2017-009	37	Lack of controls over changes to the Integrated Eligibility System	Material Weakness and Material Noncompliance
2017-010	39	Lack of security controls over the IES computing environment	Material Weakness and Material Noncompliance
2017-011	41	Lack of adequate controls over the review of internal controls over service providers	Material Weakness and Material Noncompliance
2017-012	43	Inadequate controls over drug rate changes	Material Weakness and Material Noncompliance
2017-013	45	Inadequate project management over the Pharmacy Benefits Management System	Material Weakness and Material Noncompliance

PRIOR FINDINGS NOT REPEATED

A	67	Lack of control over the Integrated Eligibility System
B	67	Noncompliance with the Illinois Public Aid Code – advance payment recoupment
C	67	Noncompliance with the Illinois Public Aid Code – interagency agreements
D	67	Noncompliance with the Custody Relinquishment Prevention Act

E	68	Inadequate controls over the County Provider Trust Fund

EXIT CONFERENCE

Items 2017-014, 2017-016 through 2017-026 and the related recommendations described in the Schedule of Findings appearing in this report were discussed with Department personnel at an exit conference on June 5, 2018.

Attending were:

Department of Healthcare and Family Services
Felicia F. Norwood, Director (via teleconference)
Tom Gentry, Acting Bureau Chief – Fiscal Operations
Amy Harris Roberts, Acting Bureau Chief – Managed Care
Sherri Sadala, Compliance Manager
Kelly Cunningham, Deputy Administrator – Medical Administration
Dan Jenkins, Bureau Chief – Bureau of Rate Development and Analysis
Amy Lyons, Audit Liaison
Jamie Nardulli, Chief Internal Auditor
Christopher Gange, Acting General Counsel (via teleconference)
Shawn McGady, Chief of Staff (via teleconference)
Terri Shawgo, Administrator – Division of Personnel and Admin. Services (via telephone)
Amanda Ball, Manager – Bureau of Fiscal Operations (via telephone)
Mark Huston, Bureau Chief – Bureau of Professional and Ancillary Services (via telephone)

Office of the Auditor General
Janis VanDurme, Manager
Kathy Lovejoy, Manager

Sikich LLP
Thomas Leach, Partner
Meredith Angel, Senior Manager

The responses to the recommendations for items 2017-001 through 2017-013 were provided by Felicia F. Norwood, Director, in correspondence dated March 2, 2018. The response to the recommendation for item 2017-015 was provided by Amy DeWeese, Department of Human Services Chief Internal Auditor, in correspondence dated May 14, 2018. Jamie Nardulli, Chief Internal Auditor agreed with the response provided by the Department of Human Services in correspondence dated May 15, 2018. The responses to the recommendations for items 2017-014 and 2017-016 through 2017-026 were provided by Felicia F. Norwood, Director, in correspondence dated June 13, 2018.

SIKICH®

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Members of American Institute of Certified Public Accountants

132 South Water Street., Suite 300
Decatur, IL 62723
217.423.6000

SIKICH.COM

INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, 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 two years ended June 30, 2017. The management of the Department of Healthcare and Family Services is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department of Healthcare and Family Services’ compliance based on our examination.

A. The 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 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 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 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 Department of Healthcare and Family Services on behalf of the State or held in trust by the 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.

Our examination was conducted 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Department of Healthcare and Family Services complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Department of Healthcare and Family Services complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department of Healthcare and Family Services' compliance with specified requirements.

Our examination disclosed material noncompliance with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. As described in items 2017-004, 2017-005, and 2017-008 in the accompanying schedule of findings, the Department of Healthcare and Family Services did not comply with requirements regarding obligating, expending, receiving, and using public funds in the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use (requirement B). As described in items 2017-001 through 2017-003, 2017-006, 2017-007, and 2017-009 through 2017-016 in the accompanying schedule of findings, the Department Healthcare and Family Services did not comply with applicable laws and regulations, including the State uniform accounting system in its financial and fiscal operations (requirement C). Compliance with such requirements is necessary, in our opinion, for the 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 material noncompliance described in the preceding paragraph, the Department of Healthcare and Family Services complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed other instances of noncompliance with the requirements, 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 items 2017-017 through 2017-026.

The Department of Healthcare and Family Services' responses to the findings identified in our examination are described in the accompanying schedule of findings. The Department of Healthcare and Family Services' responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the 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 Department of Healthcare and Family Services' internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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 Department of Healthcare and Family Services' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings as items 2017-001 through 2017-016, to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings as items 2017-017 through 2017-026, to be significant deficiencies.

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

The Department of Healthcare and Family Services' responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The Department of Healthcare and Family Services' responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Department of Healthcare and Family Services as of and for the year ended June 30, 2017, and have issued our report thereon dated March 6, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department of Healthcare and Family Services' basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 6, 2018. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 and 3 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department of Healthcare and Family Services. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 and 3 through 6 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 and 3 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department of Healthcare and Family Services' basic financial statements as of and for the years ended June 30, 2016 and June 30, 2015 (not presented herein), and have issued our reports thereon dated February 21, 2017 and March 15, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. The accompanying supplementary information for the years ended June 30, 2016 and June 30, 2015 in Schedules 2 through 6 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 and June 30, 2015 financial statements. The accompanying supplementary information for the years ended June 30, 2016 and June 30, 2015 in Schedules 2 through 6 has been subjected to the auditing procedures applied in the audits of the June 30, 2016 and June 30, 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2016 and June 30, 2015 in Schedules 2 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
June 15, 2018

132 South Water Street., Suite 300
Decatur, IL 62723
217.423.6000
SIKICH.COM

INDEPENDENT AUDITOR'S 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 Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the governmental activities, the 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, 2017, and the related notes to the financial statements, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements, and have issued our report thereon dated March 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2017-001 through 2017-007 and 2017-009 through 2017-013 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2017-008 to be a significant deficiency.

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 from 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 items 2017-001, 2017-002, 2017-004 through 2017-010, 2017-12 and 2017-013.

State of Illinois, Department of Healthcare and Family Services' Responses to Findings

The State of Illinois, Department of Healthcare and Family Services' responses to findings identified in our audit are described in the accompanying schedule of findings. The State of Illinois, Department of Healthcare and Family Services' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Department of Healthcare and Family Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
March 6, 2018

2017-001 **FINDING** (Inadequate controls over fiscally monitoring Managed Care Organizations)

The Department of Healthcare and Family Services (Department) failed to implement adequate fiscal-related monitoring controls over Managed Care Organization (MCO) contracts. In addition, the Department failed to exercise or enforce fiscal-related monitoring controls as provided for in the various MCO contracts.

The Department is the State's designated agency responsible for providing healthcare coverage for adults and children who qualify for Medicaid. In conjunction with the federal government, the Department ensures medical services are provided to approximately 25 percent of the State's population.

In 2011, the Department began implementing statutory changes to reform Medicaid which emphasized service delivery reforms (access to care), cost containment strategies (structure and operations), program integrity enhancements, and agency efficiencies (quality measurement improvement). In connection with this emphasis, the State began shifting its method of providing for medical services from fee-for-service arrangements to managed care and other care coordination services. Between 2011 and 2012, the Department began slowly implementing mandatory enrollment of certain Medicaid beneficiaries into healthcare plans with 12 MCOs. Since 2013, the Department has paid the 12 MCOs approximately $22.5 billion.

While testing the contracts the Department entered into with the 12 MCOs, we noted the Department **did not**:

- **Have a review process** in place to ensure MCO capitation payments were accurate. As a result, we noted instances totaling $619,455 for which the Department had a net underpayment to the MCOs for services paid during fiscal year 2017 (see Findings 2017-004 and 2017-005).
- **Have a review process** in place to ensure the correct percentage of the MCO incentive payments, manually calculated, were withheld in accordance with the MCO contracts. As a result, we noted instances totaling $10,991,086 for which the Department overpaid the MCOs during fiscal year 2017 by failing to withhold at the rate established by the contract (see Finding 2017-004).
- **Review or audit** self-reported encounter data (valid claims of services rendered by medical providers) submitted to the Department by the MCOs as required by the MCO contracts and the federally-approved State Plan.
- **Receive** all healthcare program encounter data. As of June 30, 2017, the Department was unable to receive encounter data for the Division of Alcoholism and Substance Abuse (DASA), Long Term Care, Home and Community Based Waivers, Medicare-Medicaid Alignment Initiative, and Managed Long-Term Services and Supports.
- **Review or audit** the MCOs denial of claims data.
- **Review** MCO actual administrative costs or other non-benefit costs.

- **Calculate and finalize** the MCOs' annual Medical Loss Ratio calculations for mandatory enrollment for Coverage Years 2013, 2014, and 2015. This provision of the MCO contracts is included to determine whether the MCOs met established benefit levels for the coverage year and provides a mechanism for the State to recoup payments that fail to meet the target (see Finding 2017-002).
- **Conduct internal audits** over the Managed Care Program for mandatory enrollment since 2013.

Auditing standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States Sections 1.01-1.02 state:

> The concept of accountability for use of public resources and government authority is key to our nation's governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, ethically, and equitably within the context of the statutory boundaries of the specific government program. As reflected in applicable laws, regulations, agreements, and standards, management and officials of government programs are responsible for providing reliable, useful, and timely information for transparency and accountability of these programs and their operations. Legislators, oversight bodies, those charged with governance, and the public need to know whether (1) management and officials manage government resources and use their authority properly and in compliance with laws and regulations; (2) government programs are achieving their objectives and desired outcomes; and (3) government services are provided effectively, efficiently, economically, ethically, and equitably.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and 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.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/2003) requires the Department's Director ensure the Department's internal auditing program includes audits of its major systems of internal accounting and administrative control, including the obligation and expenditure of the State's funds and to determine whether those activities comply with applicable laws, and regulations, at least every two years.

Department management stated manual entry of the capitation rates into the Department's payment systems resulted in errors in the rates used for a limited number of rate cells. System limitations required an after-the-fact reconciliation of revenue prior to calculating the Medical Loss Ratios (MLRs), which delayed the calculations. System limitations and limited human resources to complete the required programming caused a delay in the Department's ability to accept encounter data for the DASA, Long-Term Care, Home and Community Based Waivers, Medicare-Medicaid Alignment Initiative, and Managed Long-Term Services and Supports during the period audited.

Failure to implement adequate fiscal internal controls or circumventing internal controls previously established could expose the State to unnecessary and avoidable litigation, excessive expenditures, over-reliance on contractors, and could result in a system that does not meet the needs of the Department and the individuals dependent on the State for medical services. (Finding Code No. 2017-001)

RECOMMENDATION

We recommend the Department take immediate action to exercise and enforce monitoring and accountability provisions established in the contracts with the MCOs. We also recommend the Department establish and implement additional internal controls, internal audits, and on-site reviews to fiscally monitor the MCOs to ensure the State's Medicaid program is carried out in an effective, efficient, and economical manner.

DEPARTMENT RESPONSE

The Department accepts the recommendation.

The Department continues to implement actions to enhance MCO operational quality and accountability. While a review process is in place with respect to MCO capitation payments, in the time since the period audited, the Department has implemented an additional layer of review of the manual rate entry process in order to reduce the incidence of errors in the rate entries.

Extensive review already takes place with respect to encounter data that is received from MCOs. And, as of January 1, 2018, the Department can now accept all types of encounter data, including Long-Term Care, DASA and Waiver service encounters. While an audit of such data is not a requirement of the MCO contracts, we accept the recommendation to implement such a process as a way of enhancing the fiscal monitoring process. A comprehensive process has also been put in place to review and audit MCO claim denials, leveraging the expertise of an external CPA firm retained by the Department.

Beginning with calendar year 2016 capitation rates, the Department revised its capitation rate structure to eliminate the types of payments that required reconciliation after- the-fact, in order to expedite its ability to calculate the MLRs in a timely manner. In addition, the Department has begun requesting estimated MLR calculations from its actuaries for use in monitoring the plans' performance prior to the date the official calculations can be performed. The MLR calculations that were delayed are currently being calculated and any recoupment due will be collected from the MCOs.

Finally, new managed care contracts, effective January 1, 2018, will increase managed care accountability, provide additional internal controls and help to ensure that the State's Medicaid program is carried out in an effective, efficient and economical manner.

2017-002 **FINDING** (Department did not seek potential refunds from Managed Care Organizations)

The Department of Healthcare and Family Services (Department) did not calculate the annual Medical Loss Ratios (MLRs) of the State's Medicaid Managed Care Organizations (MCOs) for mandatory enrollment for Coverage Years (CY) 2013, 2014, and 2015. As a result, the Department did not seek and collect an estimated $65 million in potential refunds due back from the MCOs to the State.

The Department is the State's designated agency responsible for providing healthcare coverage for adults and children who qualify for Medicaid. In conjunction with the federal government, the Department ensures medical services are provided to approximately 25 percent of the State's population.

In 2011, the Department began implementing statutory changes to reform Medicaid which emphasized service delivery reforms (access to care), cost containment strategies (structure and operations), program integrity enhancements, and agency efficiencies (quality measurement improvement). In connection with this emphasis, the State began shifting its method of providing for medical services from fee-for-service arrangements to managed care and other care coordination services. Between 2011 and 2012, the Department began slowly implementing mandatory enrollment of certain Medicaid beneficiaries into healthcare plans with 12 MCOs. Since 2013, the Department has paid the 12 MCOs approximately $22.5 billion

The MLR is defined within the MCO contracts as total plan benefit expense divided by total capitation revenue. Each of the MCO contracts contain a provision requiring the Department to calculate the MLR within 90 days following the six month claims run-out period following the CY. The MCOs then have 60 days to review the Department's calculation. If the MCO did not meet the Targeted MLR set forth in the applicable contract, the MCO is required to refund to the State an amount equal to the difference between the calculated MLR and the Targeted MLR (expressed as a percentage) multiplied by the CY revenue. According to the MCO contracts, the State requires health plans to have a Targeted MLR of 85 percent for the Family Health Population (FHP), Affordable Care Act (ACA), Medicare-Medicaid Alignment Initiative (MMAI), and Managed Long-Term Services and Supports (MLTSS) plans. The Integrated Care Program (ICP) plan has a Targeted MLR of 88 percent.

As an example, assume an MCO was paid $100 million in revenue by the Department for its ICP plan during CY 2013. Since the ICP contracts have a Targeted MLR of 88 percent, the Department would expect the MCO to have spent, at least, $88 million on benefit expenses (i.e. not administrative costs or profit) during CY 2013. After the conclusion of the six month claims run-out period for CY 2013, the Department receives data from the MCO indicating that its actual benefit expense for CY 2013 was only $80 million. In this example, the MCO would refund the Department $8 million.

As estimated by the Department's actuary as of the end of fieldwork, if the Department had calculated the CY 2013, CY 2014, and CY 2015 MLRs within the required contractual timeframe, the Department should have received at least $65 million in refunds from the MCOs by June 30, 2017.

Finally, the Department receives reimbursement from the Federal government to offset the cost of Medicaid assistance at the applicable federal financial participation (FFP) rate. By not calculating the MLRs and receiving the estimated $65 million in refunds, the Department has also not calculated and paid the applicable FFP rate back to the Federal government; thus, resulting in a potential liability.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/3) states it is the "public policy of this State to aggressively pursue the collection of accounts or claims due and payable to the State of Illinois through all reasonable means."

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable reports and to maintain accountability over the State's resources.

Department officials indicated MLR calculations were delayed while capitation payments were finalized. Due to system issues, some adjustments had to be made manually after the 18 month lookback period.

The MLR recapture provision within the MCO contracts was designed to aid the Department in determining whether the MCOs met established benefit levels for a given CY. Without the MLR calculations, the Department cannot reconcile what was paid to the MCOs to ensure a significant portion of the State's cost was spent on direct services to Medicaid recipients.

Failure to calculate and collect refunds from MCOs may have resulted in the State not realizing refunds due, a potential liability due back to the Federal government for reimbursements not previously sought, and represents noncompliance with State law and contractual provisions. (Finding Code No. 2017-002)

RECOMMENDATION

We recommend the Department take action to ensure all MLRs are timely calculated and any amounts due back to the State are aggressively pursued.

DEPARTMENT RESPONSE

The Department accepts the recommendation and has taken steps to calculate the outstanding Medical Loss Ratios and recoup any refunds due. Beginning with calendar year 2016 capitation rates, the Department revised its capitation rate structure to eliminate the types of payments that required reconciliation after the fact, in order to expedite its ability to calculate the MLRs in a timely manner. In addition, the Department has begun requesting estimated MLR calculations from its actuaries for use in monitoring the plans' performance prior to the date the official calculations can be performed. In the new MCO contracts, effective January of 2018, the timeline has been extended to allow the claims run out and revenue adjustments time to process prior to MLR calculation. The MLR calculations that were delayed are currently being calculated and any recoupment due will be collected from the MCOs. Under the terms and conditions of its contracts, the State is made whole, notwithstanding any delays in the recoupment process.

2017-003 **<u>FINDING</u>** (Financial statement preparation)

The Department of Healthcare and Family Services (Department) did not ensure its annual financial reports were prepared in conformity with U.S. generally accepted accounting principles (GAAP).

During testing, we noted the Department did not perform a sufficient review of all accounts and amounts recorded within its financial statements, GAAP Package reports prepared for the Office of the State Comptroller to prepare the State's Comprehensive Annual Financial Report, and various additional supporting schedules. As a result, we noted the following errors in the Department's financial statements, GAAP packages prepared for the Illinois Office of the Comptroller, and additional supporting schedules and analysis:

<u>Errors Also Requiring Prior Period Restatements</u>

- As described in greater detail in Finding 2017-002, the Department did not calculate the annual Medical Loss Ratios (MLRs) for the State's Medicaid Managed Care Organizations (MCOs) with mandatory enrollment since 2013. Consequently, the Department had not ensured reasonable estimations of this activity, including amounts due to the federal government from its participation in the Medicaid program, had been prepared for its financial reports. As the Department had only estimated and reported accounts receivable from the MCOs for the 2013 coverage year, its financial statements for both fiscal year 2016 and fiscal year 2017 omitted these transactions for subsequent coverage periods. (In fact, the fiscal year 2017 financial statements did not even include the MLR estimate for the 2013 coverage period.) To correct the error for prior years, the Department restated its beginning net position by $29.2 million, including an increase in its accounts receivables related to the MCOs by $67.2 million and an increase in liabilities due to the federal government by $38 million. To correct the current year's errors, the Department recorded a reduction of its expenses and an increase in its accounts receivables related to the MCOs by $22.3 million and increased its liabilities due to the federal government by $13 million. These material adjustments were subsequently recorded by the Department in its final financial statements.

- The Department did not calculate and record its liability to the MCOs for certain incentive payments. In accordance with the Department's contracts with the MCOs, the Department withholds a percentage from each MCO's monthly capitation payment and holds these amounts within an incentive pool. At the end of the coverage period, the MCO is entitled to receive the withheld payments if the MCO met certain performance measures. The Department did not record an estimated liability for accounts payable to the MCOs where the Department and the MCO had not yet finalized the performance process at either June 30, 2017 or 2016. To correct this error for the prior year, the Department restated its beginning net position by ($14.3) million. To correct the current year's errors, the Department recorded an increase in its accounts payable and expenses by $37 million. These material adjustments were subsequently recorded by the Department in its final financial statements.

- The Department lacked adequate controls over its accounts receivable related to drug manufacturer rebates. Originally, the Department recorded rebates receivable of $295.3 million at June 30, 2016 and $262.2 million at June 30, 2017. During testing, we noted the following:

- The Department had not applied credit balances of $46.5 million as of June 30, 2016, and $47.3 million as of June 30, 2017, to the manufacturers' accounts or taken this situation into consideration during the Department's financial reporting process. According to Department officials, the credit balances may have been the result of overpayments from the manufacturers, inaccurate rebate rates used, or invoicing problems, which were not readily determinable. To correct this error for prior years, the Department restated its beginning net position by ($46.5) million. To correct the current year's errors, the Department recorded an additional decrease in its accounts receivable and an increase in expenses of $800 thousand. These material adjustments were subsequently recorded by the Department in its final financial statements.

- The Department routinely has disputes with its drug manufacturers due to a variety of issues, including matters such as over (under) payments, incorrect billing rates, and the wrong number of units. Although the Department has a mechanism in place to catalog each dispute, it does not track the resolution of these disputes. As such, the Department does not have a process in place to ensure all disputes are resolved in a timely manner. The Department also lacked a process to make a reasonable estimate of the resolution of such disputes and determination of the impact on the Department's year end financial reporting. To correct this error for prior years, the Department restated its beginning net position by ($2.1) million. To correct the current year's errors, the Department recorded a decrease in its accounts receivable and an increase in expenses by $700 thousand. These material adjustments were subsequently recorded by the Department in its final financial statements.

<u>Current Period Errors Only</u>

- The Department did not record certain invoices/vouchers from the Department of Central Management Services (CMS) for services rendered to the Department, totaling approximately $10.7 million. Further, we noted the Department did not reflect associated unapplied credits of approximately $11.4 million from CMS. These errors netted to an approximate overstatement of the Department's due to other State funds and expense of approximately $700 thousand. This material adjustment was subsequently recorded by the Department in its final financial statements.

- During our review of the Department's medical accrual calculation, we noted the Department used an incorrect percentage to allocate federal reimbursements for the Children's Health Insurance Program (CHIP) to the General Revenue Fund (Fund 0001). As the CHIP has a higher Federal Financial Participation (FFP) percentage than the Medical Assistance Program, the Department understated its due from the federal government balance by $8.2 million and its unavailable revenue balance by $8.2 million. This material adjustment was subsequently recorded by the Department in its final financial statements.

- During testing of statutory transfers from the Public Aid Recoveries Trust Fund (Fund 0421) to the Drug Rebate Fund (Fund 0728) at June 30, 2017, we noted some transfers were omitted from the Department's GAAP Packages. This error resulted in an understatement in Fund 0421's due to other funds and transfers out and an understatement of Fund 0728's due from other funds and transfers in by $402.2 million. These material adjustments were subsequently recorded by the Department in its final financial statements.

- During receipt testing, we identified $42.1 million in receipts into the General Revenue Fund (Fund 0001) that should have been reported within the Department of Human Services' Community Development Disability Services Medicaid Trust Fund (Fund 0142). These receipts were incorrectly reported within Fund 0142 as due from the federal government, instead of due from Fund 0001. As a result, Fund 0001's amount due from the federal government was overstated and the due to other funds was understated by $42.1 million. This material adjustment was subsequently recorded by the Department in its final financial statements.

- The Department did not properly account for expenditures related to the Pharmacy Benefits Management System (PBMS). As of June 30, 2017, the Department understated the amount of costs incurred in connection with the PBMS project, totaling $2.5 million. As such, the Department's health and social services expenditures were understated by $2.5 million and liabilities due to the vendor were understated by $2.5 million. These material adjustments were subsequently recorded by the Department in its final financial statements.

- While reviewing and recalculating the Department's aging schedules for its child support accounts receivable within the Child Support Enforcement Trust Fund (Fund 0957), an agency fund, we noted the Department omitted $23.4 million in accounts receivable. As a result of a $22 million allowance for doubtful accounts applied against this receivable, the net understatement of accounts receivable was $1.4 million. This error was not corrected by the Department in its financial statements, however it was deemed immaterial and did not result in a modification to the auditor's opinion on the Department's financial statements.

<u>Material Adjustments Not Directly Related to Financial Reporting Errors</u>

In addition to the financial reporting errors noted above, we identified other instances of material misstatements to the Department's draft financial statements that were not a direct result of the Department's financial reporting process. These errors were identified during our testing of the Department's underlying transactions and are described in the following findings:

- Finding 2017-001, regarding monitoring of MCOs;

- Finding 2017-004, regarding incorrect rates used to pay MCOs;

- Finding 2017-005, regarding incorrect claim payments; and,

- Finding 2017-006, regarding a backlog of applications for public aid.

The Department is required to report its financial information within both its financial statements and its GAAP Packages used by the State Comptroller to compile the State's Comprehensive Annual Financial Report in accordance with GAAP. Under GAAP, the Department must report government-wide and fiduciary transactions under the economic resources measurement focus and the accrual basis of accounting and report governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. In accordance with the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001), the Department must establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, transfers, assets, resources, and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Further, the State Comptroller Act (15 ILCS 405/19.5(a)) requires the Department to provide all financial information deemed necessary by the Comptroller to compile and publish the State's Comprehensive Annual Financial Report on or before October 31. Good internal controls over financial reporting and compliance require the Department to ensure its GAAP Packages and other data reported to the State Comptroller is accurate and complete to enable the timely preparation and audit of the State's Comprehensive Annual Financial Report.

Department management stated these problems were due to system limitations, unavailability of certain information during GAAP development, the complexity of the Department's programs, and human error.

The Department's current financial reporting process is overly dependent on the post audit program identifying and proposing adjustments to remediate the Department's financial reporting weaknesses. The post audit process is not a substitute for the Department designing and implementing appropriate internal controls to compile accurate financial information in accordance with GAAP within a reasonable period of time.

Failure to ensure financial transactions are reported properly in accordance with GAAP resulted in material errors within the Department's draft financial statements, negatively impacted the information compiled within the State's financial statements, delayed the State's financial reporting process, and represents noncompliance with State law. (Finding Code No. 2017-003, 2016-004)

RECOMMENDATION

We recommend the Department take action to ensure all of its transactions are properly recorded and presented in its financial statements and GAAP Packages in accordance with GAAP. Further, the Department should ensure the accuracy and completeness of its financial and non-financial information used during the financial reporting process by reviewing the source for, and manual and electronic process of, its underlying transactions.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department plans to implement changes to address the issues contained within the overall finding. This will include a review of the Department's GAAP preparation procedures and consultation with its contracted CPA firm to limit opportunities for oversight or human error.

While Medical Loss Ratio calculations were unavailable during GAAP development, the Department did not ignore the concept in its medical accrual calculation. Medical accrual supporting work-papers disclosed the unavailability of MLR values as of the FY17 GAAP reporting deadline.

With regard to the drug rebate transfer item, larger than normal drug rebate receipts remained in the Public Aid Recoveries Trust Fund (PARTF) as of June 30, 2017. In the spring of 2017, as part of the FY18 introduced budget package, the Department requested a statutory change (PA 100-0023 - Budget Implementation Act, effective July 6, 2017) and FY17 supplemental appropriation authorizing spending prior to transferring the resources to the Drug Rebate Fund for expenditure. Department accounting staff used traditional information sources to report the drug rebate amount due from PARTF to the Drug Rebate Fund. Those sources did not reflect the unique situation of the larger than normal drug rebate balance in PARTF. The Department accepts the recommendation and has implemented improved drug rebate revenue reporting within PARTF. While the amount may be material to the Fund financial statements, it is the Department's understanding the issue would not impact the accuracy of the State's Comprehensive Annual Financial Report since both PARTF and the Drug Rebate Fund are reported as General Funds and the activity offsets.

The finding also references reporting of certain federal revenues between the General Revenue Fund and the Department of Human Services' Community Development Disability Services Medicaid Trust Fund. The Department reported the pending transaction as how the movement of federal dollars would ultimately be reflected on the State's records once the transaction was effectuated. During the audit review, auditors for the Department and DHS agreed that regardless of the State mechanism used to effectuate the transaction, it should be reported as described in the finding for purposes of GAAP. The Department accepts that recommendation. While the amount may be material to the Fund financial statements, it is the Department's understanding the issue would not materially impact the accuracy of the State's Comprehensive Annual Financial Report since both funds are reported as General Funds.

The issue of expenditure reporting related to the Pharmacy Benefit Management System (PBMS) is due to vendor payments being subject to the Department's approval of project deliverables under terms of the contract. The finding states that the Department should have accrued liability for contractor work performed on or before June 30, 2017 even though the related deliverables were not approved until after that date (FY18). The Department GAAP preparers were unaware of the issue and did not receive accrued liabilities because the program area contract manager believed the requirement for State payment did not occur until the relevant deliverables were approved (generally, liabilities are not accrued on administrative contracts because services are normally billed as rendered). The Department accepts the recommendation on this issue and will improve the GAAP information gathering process by including a question to the various program areas regarding deliverables-based contracts.

2017-004 FINDING (Inaccurate rate used to pay Managed Care Organizations)

The Department of Healthcare and Family Services (Department) made payments to Managed Care Organizations (MCOs) using incorrect rates.

During fiscal year 2017, the Department made capitation payments totaling $5.68 billion to 12 MCOs for Medicaid recipients' healthcare services under four plans:

- Integrated Care Program (ICP) MCOs: The plans served individuals who were non-Medicare eligible disabled adults who were over the age of 18;
- Family Health Plan (FHP) MCOs: The plan served children and caretaker adults;
- Affordable Care Act (ACA) MCOs: The plan served the newly eligible adults who gained coverage under the Medicaid expansion provisions of the Affordable Care Act; and
- Medicare-Medicaid Alignment Initiative (MMAI) MCOs: The plan served individuals who were "dually" Medicare-Medicaid eligible. The plan operated in a limited number of counties.

The State of Illinois, State Plan under Title XIX of the Social Security Act, Medical Assistance Program, requires capitation payments and bonuses/incentive payments to meet all the federal requirements, as outlined in the Code of Federal Regulations (42 C.F.R § 438.6), and to be actuarial sound.

In order to determine if the capitation rates in effect during the engagement period were in accordance with the actuarially determined rates, we compared the capitation payment rate tables to the actuarial reports, noting:

- For ICP:
  - The Department withheld the incorrect percentage for the incentive pools; 1% was withheld, when 1.5% or 2% should have been withheld, resulting in an overpayment of $8,110,116 to the MCOs.
  - The incorrect risk adjustment factor was utilized for one MCO, resulting in an underpayment of $546,601 to the MCO. The Department had identified this error in October 2017, and subsequently corrected the error by manually adjusting the payments to the MCOs.
  - The incorrect base rate was utilized for one MCO, resulting in an overpayment of $667,940 to the MCO. The Department had identified this error in October 2017, and subsequently corrected the error by manually adjusting the payments to the MCOs.
- For FHP:
  - The Department paid the incorrect Health Insurers Fee to one MCO, resulting in an underpayment to the MCO of $430,717.
  - The Department withheld the incorrect percentage for the incentive pools; 1% was withheld, when 1.5% or 2% should have been, resulting in an overpayment of $2,880,970 to the MCOs.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws and obligations and costs are in compliance with applicable law.

Department management stated the rates are entered manually, and as such, the errors were the result of human error.

As a result of making incorrect payments, the Department has incurred expenditures which are not in compliance with federal and State laws. (Finding Code No. 2017-004)

RECOMMENDATION

We recommend the Department ensure the payments made to the MCOs are in accordance with the actuarially determined rates. Additionally, the Department should implement a secondary review of the input of rate components to ensure they are in agreement with the actuarially determined rates.

DEPARTMENT RESPONSE

The Department accepts the recommendation and has already implemented an additional layer of review of all rates being manually entered and the components of the calculation. All errors have been corrected in the Department's systems, and all overpayments or underpayments are being paid or recouped through adjustments to the payment records.

2017-005 **<u>FINDING</u>** (Incorrect claim payments made to medical providers and Managed Care Organizations)

The Department of Healthcare and Family Services (Department) made incorrect claim payments to medical providers and Managed Care Organizations (MCO).

In order to administer the State's Medicaid Program, the Department's Medicaid Management Information System (MMIS) processes Medicaid claims submitted by Medicaid providers and MCOs for services rendered to Medicaid-eligible recipients, and generates the related payments.

During the fiscal year, the Department processed approximately 219,485,284 claims totaling $15 billion.

The Department reimburses Medicaid providers using two methods: fee-for-service and managed care. Under managed care, the Department makes fixed payments called capitation payments to MCOs for recipients enrolled in the program. Long-term care (LTC) payments are paid to Medicaid providers for individuals requiring long-term assistance in nursing facilities, supportive living facilities, and intermediate care facilities. Pharmacy payments are paid to Medicaid providers for medications that are medically necessary for Medicaid recipients. The Medicaid program covers both prescription and over the counter products.

We selected a sample of all claim types (Capitation, LTC, and pharmacy) paid by the Department during fiscal year 2017 to determine that payments were consistent with the rate tables. **Note:** See Finding 2017-004 which addresses the use of incorrect rates used to generate payments to MCOs.

We tested all claims paid for the period July 1, 2016 through June 30, 2017 to determine if the Department properly paid claims. Specifically, we noted the following:

- Capitation Payments
  - Recipients are required to be actively enrolled with a MCO as of the date of service. However, 1,118 claims did not have the required information; therefore, the claim should have been voided. As a result, $623,356 was <u>overpaid</u> to the MCOs.
  - 67 claims did not have a corresponding rate in the rate information. Specifically, the rate information did not list the MCO that was paid in the region for which the claim was paid. Therefore, we could not determine if an <u>overpayment</u> was made to the MCO, totaling $230,454.
  - 804 claims were paid at a rate different than the defined rate. As a result, $933,433 was <u>overpaid</u> to the MCOs.
  - Due to the date of a recipient's date of birth changing on 73 claims, we could not determine if the correct rate was paid. Although an actual error could not be determined, the maximum <u>overpayment</u> to care coordination providers would not exceed $46.

- Long-Term Care Payments
  - 789 claims had a net liability amount which did not agree to our recalculated net liability, resulting in medical providers being <u>underpaid</u> by $15,754. The Department stated these claims had retroactive rate changes which had not been adjusted.

- 639 claims had a net liability amount which did not agree to our recalculated net liability. Therefore, we could not determine if an underpayment was made to medical providers, totaling $59,998.

- Pharmacy
  - 50 claims had a net liability amount which did not agree to our recalculated net liability. The Department stated these claims were paid incorrectly due to a logic issue. The net error for these claims was an underpayment to medical providers of $6,284.
  - 74 claims had a net liability amount which did not agree to our recalculation. The Department stated these claims were paid incorrectly due to a production issue. The net error for these claims was an underpayment to medical providers of $3,220.
  - 30,471 claims had a net liability amount which did not agree to our recalculation of the net liability. Therefore, we could not determine if an overpayment was made to medical providers, totaling $303,815.
  - 5,591 compound drug claims had a net liability amount which did not agree to our recalculated net liability. Therefore, we could not determine if an overpayment was made to medical providers, totaling $93,098.
  - 3,525 Critical Care Provider claims had over-the-counter charges and non-drug charges, which were not paid at the federally approved rate. The error amount for these claims was an overpayment to medical providers of $1,166,653.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws and obligations and costs are in compliance with applicable laws.

Department management stated these errors were due to system issues and adjustments that had not been processed yet.

Failure to establish internal controls to ensure medical providers submit proper claims, MCO payments are generated correctly, and the Department furnishes proper reimbursements resulted in erroneous payments by the State. (Finding Code No. 2017-005)

RECOMMENDATION

We recommend the Department implement controls to confirm claims are properly processed at the federally approved rate. Specifically, the Department should:

- Ensure medical providers and MCOs provide complete and accurate information. In the event they do not, the claims should be properly voided.
- Ensure all claims are properly paid at the approved corresponding rate.
- Ensure claimant information (date of birth, etc.) is accurate and not changed. In the event a change is required, the Department should maintain a history of changes.

DEPARTMENT RESPONSE

The Department accepts the recommendation. All capitation records paid during FY 2017 were reviewed during the audit, **nearly 21 million records**. For each of the capitation records identified, the following actions were taken:

- 1,118 records (**0.0053%** of all capitations) were not voided when MCO enrollment was retroactively removed. Programming has been added to automatically void these records during the 18 month look-back period.
- 67 records (**0.0003%** of all capitations) were paid for maternity case rate payments at the rate for the region of the client's local office. In cases the local office county differs from the county of residency, programming has been added to pay at the county of residence rather than the local office county.
- 804 records (**0.0038%** of all capitations) were for rate changes made after the 18 month look-back period had passed. Adjustment files have been created and are being processed to adjust the payment amounts and correct the payment rates to pay or recoup funds as necessary.
- 73 records (**.0003%** of all capitations) had retroactive changes in the client's date of birth.

All Long-Term Care records paid during FY 2017 were reviewed during the audit, **over 463,000 records.** For each of the Long-Term Care records identified, the following actions were taken:

- 789 records (**0.17 %** of all Long-Term Care claims) had retroactive rate changes which had not been adjusted. A new adjustment process is being developed for the new direct billed Long-Term Care claims. The Department estimates the actual adjustments will be applied by the end of this month.
- 639 records (**0.138 %** of all Long-Term Care claims) with a potential underpayment need to be reviewed by the Department. The Department will complete the review and correct any invalid claims as necessary.

All Pharmacy records paid during FY 2017 were reviewed during the audit, **over 7.6 million records**. For each of the Pharmacy records identified, the following actions were taken:

- 50 records (**0.0007%** of all pharmacy claims) were paid incorrectly due to a logic issue that occurred when the Department implemented its new Pharmacy Benefit Management System. The issue was identified and corrected by the Department prior to the audit.
- 74 records (**0.0010%** of all pharmacy claims) were paid incorrectly due to a production issue that occurred when the Department implemented its new Pharmacy Benefit Management System. The issue was identified and corrected by the Department prior to the audit.
- 30,471 records (**0.4%** of all pharmacy claims) may be attributable to retroactive drug pricing changes. Pharmacy claims are adjudicated through a point-of-sale claims processing system using the price available at the time of processing; however, when drug prices change, the new price begin date can oftentimes be retroactive. Pharmacy claims are not adjusted for retroactive pricing changes and the payments are not considered inaccurate. The occurrence of retroactive price changes is an industry-wide occurrence. The practice of not adjusting claims for

retroactive pricing changes is an acceptable practice in both the government and commercial environment.

- 5,591 compound drug records (**0.07%** of all pharmacy claims) may be attributable to retroactive drug pricing changes. Pharmacy claims are adjudicated through a point-of-sale claims processing system using the price available at the time of processing; however, when drug prices change, the new price begin date can oftentimes be retroactive. Pharmacy claims are not adjusted for retroactive pricing changes and the payments are not considered inaccurate. The occurrence of retroactive price changes is an industry-wide occurrence. The practice of not adjusting claims for retroactive pricing changes is an acceptable practice in both the government and commercial environment.
- 3,525 Critical Care Provider records (**0.05%** of all pharmacy claims) were due to an issue in the Department's legacy system that required additional programming to correct. The new Pharmacy Benefit Management System resolves the issue.

2017-006 **FINDING** (Backlog of applications for human service programs)

The Department of Healthcare and Family Services and the Department of Human Services (Departments) did not maintain adequate controls to ensure applications for human service programs were reviewed and approved or denied within the mandated 45 day timeframe.

The Department of Healthcare and Family Services and the Department of Human Services have shared responsibility for various human service programs in the State. This includes the intake, processing, and approval of applications for benefits. The Departments have shared responsibility for internal control over manual and automated processes relating to eligibility for these programs.

The Departments' Integrated Eligibility System (IES) takes in applications from individuals in order to determine eligibility and subsequent payments for the State's human service programs.

As of June 30, 2017, the Departments had incurred a backlog of 74,649 applications that were more than 45 days old, with the oldest application dating back to November 19, 2014. As of January 12, 2018,

- The Departments had worked 1,714 applications, which resulted in payments totaling $209,894 for medical services that were incurred during fiscal year 2017.
- The Departments had worked 676 applications, which resulted in payments totaling $47,568 for SNAP (Supplemental Nutrition Assistance Program) and TANF (Temporary Assistance for Needy Families) services that were incurred during fiscal year 2017.

The Code of Federal Regulations (42 CFR § 435.912) requires the Departments to determine eligibility within 45 days of receipt of the application for assistance.

Departments' management stated the delay in processing was due to increased numbers of applications from expanded Medicaid programs and open enrollment periods, delays in receiving some Federally Facilitated Marketplace applications (transfers from the Federal Marketplace), training of new caseworkers hired, and availability of caseworker staff to process applications due to training on the new IES processing system prior to Phase II implementation of IES.

Because the Departments may be required to retroactively pay for services determined, at a later date, to be eligible, not all expense and liabilities may be reported in the Departments' financial statements in the period incurred. Additionally, untimely eligibility determinations may cause hardships on the applicants. (Finding Code No. 2017-006)

RECOMMENDATION

We recommend the Department of Healthcare and Family Services work with the Department of Human Services to implement controls to comply with the requirement that applications are reviewed and approved or denied within 45 days.

DEPARTMENTS' RESPONSE

The Departments accept the recommendation. The Departments continue to strive to be in compliance with its mandated application disposition timelines. There are several factors that lead to the current backlog. During the audit period, the Departments were planning for the implementation of a new processing system, for which substantial training was needed for all casework staff. As the implementation of the system stabilizes, and staff become more efficient in the processing of applications, it is expected that any backlog of applications will be reduced considerably.

2017-007 **<u>FINDING</u>** (Untimely redetermination of eligibility)

The Department of Healthcare and Family Services and the Department of Human Services (Departments) did not conduct timely redeterminations of eligibility for Medicaid recipients. The Code of Federal Regulations (42 CFR § 435.916) requires states to conduct redeterminations of an individual's eligibility every 12 months.

The Department of Healthcare and Family Services and the Department of Human Services have shared responsibility for various human service programs in the State. This includes the intake, processing, and approval of applications for benefits, as well as redeterminations of eligibility where applicable. The Departments have shared responsibility for internal control over manual and automated processes relating to eligibility for these programs.

In order to determine if redeterminations were performed timely, we tested all individuals who received a capitation payment on their behalf to a managed care organization during the audit period and reviewed their redetermination dates. The testing results indicated 8,187 individuals' eligibility redeterminations were not performed within the required 12 month period.

The Departments made payments on behalf of these individuals, totaling $71,300,077, for medical services during fiscal year 2017.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all agencies to establish and maintain a system of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws and obligations and costs are in compliance with applicable laws.

Departments' management stated staff turnover and availability contributed to the delay in completing all of the redeterminations due each month.

By not conducting eligibility redeterminations as required by the Code of Federal Regulations, the Departments may have incurred expenditures for ineligible individuals. (Finding Code No. 2017-007)

<u>RECOMMENDATION</u>

We recommend the Department of Healthcare and Family Services work with the Department of Human Services to establish the appropriate controls to monitor eligibility redeterminations, and assign the resources necessary so that redeterminations of eligibility are performed annually as required by the Code of Federal Regulations.

<u>DEPARTMENTS' RESPONSE</u>

The Departments accept the recommendation. The redetermination process will be enhanced with the implementation of the newly updated processing system in IES Phase II, which went live on October 24, 2017. In Phase II, both new applications and case maintenance are completed within one system. The IES Phase II system will assist in tracking and auto initiating renewal notices to eligible customers using a three step process. Beginning with cases due for renewal effective February 2018, anyone who is required to return their redetermination notice but does not respond will have their benefits automatically canceled by IES. Previously, these cancelations had to be completed manually by casework staff. Online and classroom training venues are available to all staff using the new system.

2017-008 **FINDING** (Inaccurate determination of eligibility for human service programs)

The Department of Healthcare and Family Services and the Department of Human Services (Departments) lacked adequate controls over the operation of the State of Illinois' Integrated Eligibility System (IES) to sufficiently prevent the inaccurate determination of eligibility.

The Department of Healthcare and Family Services and the Department of Human Services have shared responsibility for various human service programs in the State. This includes the intake, processing, and approval of client applications for benefits. The Departments have shared responsibility for internal control over manual and automated processes (such as IES) relating to eligibility for these programs.

The Departments implemented IES for the intake and processing of applications in order to determine eligibility for the State's human service programs. During fiscal year 2017, the Departments processed:

Applications submitted via IES	677,753
Application approved via IES	496,154
Expenditures associated with applications approved via IES	$1,316,575,345

In order to obtain social services, individuals are evaluated on financial and non-financial criteria. To ensure the accuracy of the Departments' determination, through IES, of eligibility for social service programs, we selected the non-financial criteria (citizenship, residency, social security information) for detailed testing. We tested all individuals whose applications were approved via IES in order to determine if they were properly approved based on the eligibility criteria selected. Our testing noted 251 distinct applications which were approved even though the IES data indicated the eligibility criteria had not been met. Specifically, applications were approved:

- <u>Without meeting</u> immigration requirements,
- <u>Without verification</u> of citizenship,
- <u>Without verification</u> of residency, and/or
- <u>Without valid</u> Social Security Numbers (SSNs) or documentation of submitted application for SSNs.

As a result of the exceptions noted, the Departments incurred expenditures of $1,028,316 for individuals who may not have been eligible for benefits received.

It should be noted that the Departments and the auditors came to an agreement regarding the identified exceptions on December 7, 2017. Then on February 21, 2018, the Departments provided the auditors with additional information related to the testing of the non-financial criteria. The results of testing noted above take into consideration the additional information.

In addition, we selected a statistical sample of 138 distinct applications to determine if they were properly approved based on all eligibility criteria (financial and non-financial). In order to determine if the applications were properly approved, we reviewed each distinct application in IES. Our testing noted:

- 5 (3.6%) applications <u>did not contain</u> support related to residency.
- 3 (2.2%) applications <u>did not contain</u> support related to income.
- 7 (5%) applications <u>did not contain</u> the caseworker's verification of the budgeted income.

- 7 (5%) applications <u>did not contain</u> a copy of the application or the application was not signed.
- 6 (4.3%) applications <u>did not contain</u> evidence that citizenship was verified.

The Department of Human Services incurred expenditures of $18,571 for these individuals who may not have been eligible for benefits received.

The Illinois Public Aid Code (Code) (305 ILCS 5) requires individuals to provide information related to their citizenship, residencies and SSNs. The Code also requires the Departments to verify, via a third party, the information provided by the individuals.

The State Records Act (5 ILCS 160/8) requires the head of each agency to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all agencies to establish and maintain a system of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws and obligations and costs are in compliance with applicable laws.

Departments' management indicated the problems noted were due to a combination of caseworker error and system defects.

Inadequate controls over the operation of IES have resulted in expenditures for which eligibility has not been adequately demonstrated or documented and may result in future expenditures for individuals who are ineligible to receive benefits from these human service programs. (Finding Code No. 2017-008, 2016-001, 2015-002)

<u>RECOMMENDATION</u>

We recommend the Department of Healthcare and Family Services work with the Department of Human Services to improve controls over caseworker involvement and system defects by refining supervisory oversight to confirm all applications are properly approved and caseworkers are properly obtaining and retaining documentation in IES to support eligibility

<u>DEPARTMENTS' RESPONSE</u>

The Departments accept the recommendation. The errors noted in the testing of the 138 cases are attributed to casework error. The current transition the Departments were undertaking from one system to another comes with an unfamiliarity of processing procedures and nuances that are still being learned and perfected. During the audit period, casework staff had been required to spend substantial time participating in training of the new system. The transition from paper case records to electronic case records required a massive change in the gathering and maintaining of documentation. Although the new system does allow for proper maintenance of documentation in an electronic format, the conversion to the new process is still being refined. It is expected that as the transition to the new system stabilizes, casework errors will be reduced.

2017-009 **<u>FINDING</u>** (Lack of controls over changes to the Integrated Eligibility System)

The Department of Healthcare and Family Services and the Department of Human Services (Departments) lacked controls over changes to the Integrated Eligibility System (IES).

The Department of Healthcare and Family Services and the Department of Human Services have shared responsibilities for various human service programs in the State. As such, the Departments have a shared responsibility for the adequacy of internal controls over the IT applications and data which is utilized in determining eligibility for the human service programs.

IES is utilized for the intake of applications and the determination of eligibility for the State's human service programs. During fiscal year 2017, IES determined eligibility for 677,753 applications, approved and denied.

In October 2013, the Departments contracted with a vendor for the development and maintenance of IES; however, the Departments were responsible for ensuring proper controls were in place. As noted in the past two audits, we determined the Departments still had not developed policies and procedures to control changes over IES. As such, we were unable to determine if changes were properly controlled.

In addition, we requested documentation to demonstrate programmers' access was restricted; however, the Departments were unable to provide complete and accurate documentation. During discussions with the Departments, it was also noted vendor programmers had access to the production environment. In fact, a programmer had moved a change into the production environment that caused problems with the use and processing of IES data.

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 to 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.

Generally accepted information technology guidance endorses the implementation of suitable change management procedures to control changes to computer systems. Effective change management procedures reduce the risk of unauthorized, improper, or erroneous changes to computer systems. These procedures include restricting programmers from accessing the production environment.

Departments' management stated that control policies and procedures for IES have not been fully documented due to competing IES priorities.

The inability to determine and document that changes to IES are proper and approved increases the risk that IES will not have the required accuracy, integrity, availability, and security. (Finding Code No. 2017-009)

RECOMMENDATION

We recommend the Department of Healthcare and Family Services work with the Department of Human Services to implement controls over changes to IES. Specifically, the Departments should develop change control policies and procedures to control changes. The policies and procedures should include at a minimum:

- Procedures to generate a complete list of program changes,
- Formal documentation authorizing the change by the Departments,
- Testing and documentation requirements,
- Formal documentation authorizing the change prior to being moved to the production environment.

In addition, the Departments should require that programmers' access be properly restricted and an adequate segregation of duties exists.

DEPARTMENTS' RESPONSE

The Departments accept the recommendation and will work together to implement an approval process for changes made to the IES. The Departments will develop formal change control policies and procedures for IES that encompass the recommendations listed and ensure that programmers do not have direct access to the production environment without proper approval.

2017-010 **FINDING** (Lack of security controls over the IES computing environment)

The Department of Healthcare and Family Services and the Department of Human Services (Departments) failed to implement adequate security controls over the computing environment supporting the Integrated Eligibility System (IES).

The Department of Healthcare and Family Services and the Department of Human Services have shared responsibilities for various human service programs in the State. As such, the Departments have a shared responsibility for the adequacy of internal controls over the IT applications and data which is utilized in determining eligibility for the human service programs.

IES is utilized for the intake of applications and the determination of eligibility for the State's human service programs. During fiscal year 2017, IES determined eligibility for 677,753 applications.

During our engagement, we requested the Departments provide the population of servers in which IES resides in order to determine the security over the servers. In response, the Departments provided a listing of servers; however, during testing, we noted servers which were not included on the listing.

Due to these conditions, we were unable to conclude the Departments' population of records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, AT-C § 205).

Even given the population limitations noted above, we performed testing and noted:

- 209 of 346 servers were running operating systems that were no longer supported by the vendor.
- The IES Disaster Recovery Plan had not been updated to reflect the current environment.

In addition, the Departments' own review noted:

- Personal identifiable information (PII) and protected health information (PHI) is exposed in shared service areas.
- Lack of documentation or inaccurate documentation of users on infrastructure devices.
- Separation of duties not being exercised.
- Access privileges are not limited.
- Security functions assigned to personnel outside of security.
- Devices incorrectly configured and not working correctly.
- Server configuration setting maintained only by the vendor.
- Audit logs are not generated.
- Hardware/software contains out of date batches and fixes.
- Password reset questions are maintained in clear text.

Departments' management stated the IES Plan of Action and Milestones included all items identified during this audit. These items are in various stages of development and implementation; several of which require significant time and resources to resolve. The Departments determined that those items presenting the highest risk would be included with the Phase II Go-Live release in October 2017. The remaining items, moderate and low risk, were determined by the Departments as acceptable risks due to compensating or other implemented security controls. The remaining three high risk items are among those that require substantial code and infrastructure changes.

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 to 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.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data.

Failure to implement and maintain adequate controls over security could result in inaccurate data and availability issues. (Finding Code No. 2017-010)

RECOMMENDATION

We recommend the Department of Healthcare and Family Services work with the Department of Human Services to implement suitable security controls over the computing environment supporting IES.

DEPARTMENTS' RESPONSE

The Departments accept the recommendation. The security issues were previously identified by the Departments and a Plan of Action and Milestones were developed to track each issue, with the exception of two items which are tracked in the weekly infrastructure technical meeting. In addition, corrective action plans are in progress for each.

2017-011 **<u>FINDING</u>** (Lack of adequate controls over the review of internal controls over service providers)

The Department of Healthcare and Family Services (Department) did not obtain or conduct timely independent internal control reviews over its external service providers.

We requested the Department provide the population of service providers utilized by the Department in order to determine if the Department had reviewed the internal controls over the service providers. In response to our request, the Department provided a listing of service providers utilized during the engagement period. However, during testing, we noted four additional service providers, which the Department had not included in their listing.

Due to these conditions, we were unable to conclude the Department's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, AT-C § 205).

Even given the population limitations noted above, we performed testing of the ten service providers utilized by the Department from the listing provided by the Department and the service providers identified by us.

The Department utilized various service providers to provide:

- Software used in the data matching and verification, process management, and reporting of client's eligibility redeterminations. The vendor processed 674,475 client redeterminations during the engagement period.
- Administration and payment of claims for the enrollees of the State's Dental Program. The vendor processed claims totaling $86,566,937 during the engagement period.
- An externally developed and hosted application which processed Medicaid Incentive Payment Program (eMIPP). During the engagement period, $43,008,372 of eMIPP payments were processed.
- Software as a service and infrastructure as a service for the Department's Pharmacy Benefits Management System. During the engagement period, $1,057,184,554 in drug rebate invoices and $76,187,132 in pharmacy claims were processed.
- Management and operations of the State's Disbursement Unit for the collection and disbursement of payments under child support orders. During the engagement period, 7,027,509 transactions were processed, totaling $1,313,329,474.
- The establishment of rate and review of information related to the State's Managed Care Program.

During testing, we noted:

- The Department did not obtain System and Organization Control (SOC) reports or conduct independent internal control reviews for four external service providers.
- Although the Department had received a SOC report from five of the external service providers, an analysis of the all reports and the complementary user entity controls had not been conducted.
- Four external service providers utilized subcontractors in order to carry out their contractual duties. However, the Department had not performed an analysis to determine the need to obtain information as to the subservice organization's internal controls.

- Not all agreements between the Department and the external service providers contained a requirement for an independent review to be completed.

Department management stated some contract managers were unaware of the need for SOC reports from certain types of service providers and subcontractors.

The Department is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its critical and confidential data are adequately safeguarded. This responsibility is not limited due to the processes being outsourced.

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 to 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, generally accepted information technology guidance endorses the review and assessment of internal controls related to information systems and operations to assure the accurate processing and security of information.

Without having obtained and reviewed a SOC report or another form of independent internal controls review, the Department does not have assurance the external service providers' or subservice organizations' internal controls are adequate to ensure program payments and claims are accurate and secure. (Finding Code No. 2017-011, 2016-003, 2015-004)

RECOMMENDATION

We recommend the Department strengthen its controls in identifying and documenting all service providers utilized. Further, we recommend the Department obtain or perform independent reviews of internal controls associated with third party service providers at least annually.

The Department should perform a timely review of the reports, assess the effect of any noted deficiencies, and identify and implement any compensating controls. The Department's reviews and corrective actions taken by the service provider should be documented and maintained.

In addition, the Department should perform an analysis to determine the need to obtain information as to the subservice organization's internal controls and perform reviews as needed.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department will acquire System and Organization Control (SOC) Reports from vendors as appropriate. The Department will implement procedures to review and respond to those SOC reports as necessary.

The variance of the four contracts cited as needing SOC reports that were not on the Department's listing was due to the Department's interpretation of which entities needed a SOC report.

2017-012 **FINDING** (Inadequate controls over drug rate changes)

The Department of Healthcare and Family Services (Department) did not have controls in place to ensure the drug rates paid to medical providers were in accordance with the State Plan and properly loaded into the Pharmacy Benefits Management System (PBMS).

The State of Illinois, State Plan under Title XIX of the Social Security Act, Medical Assistance Program, Methods and Standards for Establishing Payments Rates (State Plan), states pharmacies will be reimbursed for prescribed drugs at the lower of:

i. The pharmacy's usual and customary charges to the general public.
ii. The applicable methodology from among the following plus the applicable dispensing fee:
    a. Single source legend drugs
        i. Effective July 21, 2012, the lower of:
            1. Wholesale acquisition cost of national drug code on claim.
            2. The State upper limit.

    b. Multiple source legend drugs
        i. Effective July 21, 2012, the lower of:
            1. Wholesale acquisition cost of national drug code on claim
            2. The federal upper limit.
            3. The State upper limit.

In addition, the drug rates are to be updated at least monthly utilizing data procured from a national drug database source.

During testing, we requested the Department provide documentation demonstrating their due diligence in ensuring the updated rates were reviewed and the load process was properly completed. However, the Department was unable to provide such documentation.

The Department stated they had contracted with a vendor to maintain the PBMS, which makes payments to the pharmacies. As such, the vendor was responsible for receiving the rate files from the Medi-Span data file and loading them into PBMS. Therefore, the Department did not feel it was necessary to ensure the controls over the process were sufficient.

On March 26, 2017, the Department implemented the point-of-sale module, which makes payments to medical providers. From March 26, 2017 through June 30, 2017, the Department's pharmacy system processed 1,068,744 pharmacy transactions totaling $76,187,132.

Department management stated they did not obtain information from the vendor to ensure the controls over the Medi-Span data file load process were sufficient.

Lack of controls over changes to the pharmacy rate files could result in incorrect payments to medical providers and is noncompliance with the State Plan. (Finding Code No. 2017-012)

RECOMMENDATION

We recommend the Department review the controls over the vendor to make certain the rates are in accordance with the State Plan and the load process is properly completed.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department regularly monitors claims data for anomalies that could identify potential issues, such as possible discrepancies in the pricing file. When an anomaly is identified, the Department conducts further research to isolate the root cause. In addition, the Department has established a process requiring the vendor to provide documentation of the outcome of the load process on a weekly basis. Department staff will review the documentation and immediately escalate any concerns to the vendor for explanation and/or resolution.

2017-013 **<u>FINDING</u>** (Inadequate project management over the Pharmacy Benefits Management System)

The Department of Healthcare and Family Services (Department) did not establish adequate controls to conduct due diligence or to ensure project management over the Pharmacy Benefits Management System (PBMS).

On March 17, 2014, the Department entered into a $28.5 million contract for the development, implementation and hosting of PBMS. PBMS was to provide two main functions; billing and maintenance of the drug manufacture rebates and the processing of medical pharmacy transactions.

As of June 30, 2017, the Department had completed five implementations. During our review of each implementation, we noted:

- The contract required the vendor to provide reports on the various iterations of testing.
  - Final Unit Test Report,
  - Final System Integration Test Report,
  - Final User Acceptance Test Report and Master Test Tracking Matrix,
  - Final Pilot Test Report, and
  - Application Performance Testing Report.

  However, the Department was unable to provide all the various reports for each implementation. During our review of the reports provided, we could not determine if they were the final version.

  The Department provided documentation to support User Acceptance Testing; however, the documentation indicated testing steps had not been completed or resulted in a defect, with no indication of resolution.

- As part of the implementations, data was converted and we requested documentation to support the accuracy of converting data from the Department's legacy systems to PBMS. However, the Department did not provide documentation to demonstrate the data conversion was complete and accurate.

- The Department did not provide documentation demonstrating security controls over PBMS had been tested throughout all implementations.

- The Department did not provide documentation authorizing the vendor to apply two implementations into the production environment.

Department management stated some of the documentation for Phase I was not saved in the project repository and turnover of staff made it difficult to retrieve the documentation not maintained centrally.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states all agencies are to establish and maintain a system of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws and obligations and costs are in compliance with applicable laws. In addition, generally accepted information technology standards endorse the implementation of project management techniques to ensure computer system development activities meet management's objectives.

Due to the inadequate project management and due diligence, the Department did not obtain all documentation to support the implementations. (Finding Code No. 2017-013)

RECOMMENDATION

We recommend the Department establish adequate controls over project management and due diligence over major projects, such as PBMS.

DEPARTMENT RESPONSE

The Department accepts the recommendation. At all times throughout the project, the Department has had the support and autonomous review of the federally-required Independent Validation & Verification (IV&V) vendor. For Phase I, most deliverable sign-offs were handled informally via email rather than with formal documentation including signatures. A formal sign off process for deliverables was instituted for Phase II. The Phase II PBMS Project Team has worked closely with its IV&V vendor, meeting on a weekly basis to manage processes and to implement fiscal controls as well as administrative controls to monitor the spending and resources allocated for this project.

2017-014 **<u>FINDING</u>** (Noncompliance with the State of Illinois' Constitution)

The Department of Healthcare and Family Services (Department) entered into an interagency agreement which circumvented the agency reorganization provisions of the State of Illinois' Constitution.

During testing, we noted the Department, Office of the Governor, and the Illinois Health Information Exchange Authority (Authority) entered into an interagency agreement on September 23, 2016, for the "transitioning of management of duties from the Authority to [the Department]." This interagency agreement included the following terms:

- Section 2.03 noted all of the Authority's remaining staff "shall ultimately report to, and be under the management control of, the [Department's] Chief Operating Officer/Chief of Staff."

- Section 3.02 required the Authority to designate the Department as its fiscal agent for the purposes of distributing moneys from the Health Information Exchange Fund and may, at the Department's discretion, deposit future moneys received into the Health Information Exchange Fund.

- Section 3.03 required the Authority to designate the signature authority of its Executive Director "in its entirety" to the Department's Director.

In practicality, this interagency agreement ended the Authority's existence as an independent, standalone entity and reorganized the functions of the Authority into the Department. We noted this change would contravene the provisions of the Illinois Health Information Exchange and Technology Act (20 ILCS 3860/10), which created the Authority as "an instrumentality and an administrative agency of the State."

The Constitution (Article V, Section 11) allows the Governor, by Executive Order, to reassign functions among or reorganize executive agencies directly responsible to the Governor. If the reassignment or reorganization contravenes a statute, the Executive Order must be delivered to the General Assembly. After the Governor complies with the delivery provisions of the Constitution, the General Assembly has 60 calendar days after the delivery of the Executive Order to have one house, by a record vote, disapprove of the reassignment or reorganization to prohibit the reassignment or reorganization from occurring.

Department management stated it believed the interagency agreement was the precursor to development of an Executive Order to effectuate the transfer of Authority management duties from the Authority to the Department.

Entering into an intergovernmental agreement to reorganize and reassign the duties and functions of the Authority into the Department represents noncompliance with the State's

Constitution and limits the oversight functions of the General Assembly. Further, failure to properly perform this reorganization in accordance with the terms of the Constitution limited the General Assembly's understanding of this event, as the reporting requirements to the General Assembly within the Executive Reorganization Implementation Act (15 ILCS 15/11) have not necessarily been triggered. (Finding Code No. 2017-014)

RECOMMENDATION

We recommend the Department work with the Governor and the General Assembly to provide certainty as to the legal status of the Authority.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department will work with the Governor and General Assembly to provide certainty as to the legal status of the Authority.

2017-015 **<u>FINDING</u>** (Applicant Social Security information in IES not sufficiently supported)

The Department of Healthcare and Family Services and the Department of Human Services (Departments) did not have adequate controls to ensure the Social Security information of applicants for human services programs was sufficiently supported.

The Departments have shared responsibility for various human service programs in the State, including the intake, processing, and approval of applications for benefits. The Departments have shared responsibility for internal control over manual and automated processes relating to eligibility for these programs.

As part of our testing of the Integrated Eligibility System (IES), we compared the applications approved utilizing IES to the Social Security Administration (SSA) Master Death Records. We noted 164 approved applicants had applied for services after the date of death associated with the Social Security Number (SSN) the applicant had provided. In addition, we noted 39 approved applicants had death dates associated with the SSN the applicants had provided that were prior to their birth dates within IES.

As part of the IES clearance process, the applicant's SSN is matched to the SSA in order to determine if the SSN is valid. We reviewed case information within IES for a sample of five cases, noting the case information documented the applicant's SSN as not being valid. However, it appeared each case had been overridden by the caseworker, thus allowing services. As a result, the Departments incurred expenditures of $983,656 for applicants that may not have been eligible for the benefits received.

The Departments' management stated the errors were the result of caseworker error.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws and obligations and costs are in compliance with applicable law.

As a result of not properly validating the application's information, the Departments may be paying for services on behalf of ineligible recipients. (Finding Code No. 2017-015)

<u>RECOMMENDATION</u>

We recommend the Department of Healthcare and Family Services work with the Department of Human Services to improve controls over caseworker involvement by refining supervisory oversight to confirm all applications are properly approved and caseworkers are properly obtaining and retaining documentation in IES to support eligibility. In addition, the Departments should seek reimbursement for improper payments.

<u>DEPARTMENTS' RESPONSE</u>

The Departments accepts the recommendation. Over 1 million applications were approved using the IES system during FY16 and FY17. The 203 cases (**0.019%**) identified as having a social security number in question were entered into the system manually, and appear to have been entered incorrectly. These cases will be corrected and any improper payments identified will be recouped. HFS will discuss with IDHS whether more stringent edits or approvals should be implemented to eliminate the approval of cases with incorrect social security numbers.

2017-016 **<u>FINDING</u>** (Inadequate control over Pharmacy Benefit Management System development)

The Department of Healthcare and Family Services (Department) did not exercise adequate control over the development of the new Pharmacy Benefits Management System (PBMS).

On March 17, 2014, the Department entered into a $28.5 million contract with a vendor for the development, implementation, and hosting of PBMS over a 60-month period. The Department intended PBMS to (1) process billings and maintain records for the drug manufacturer rebate program and (2) process the Department's pharmacy transactions. The terms of the original contract called for PBMS to be implemented in two parts: the drug manufacturer rebate program in Part 1 and the rest of PBMS to be implemented in Part 2. During development, we noted the Department and its vendor informally agreed, but did not document in a contract amendment, to split Part 2 into five distinct phases, known as development groups. We noted the following implementation dates for Part 1 and the Part 2 Development Groups of PBMS as of June 30, 2017:

	Implementation
Part 1	April 1, 2015
Part 2, Development Group 1	March 2, 2016
Part 2, Development Group 2	April 15, 2016
Part 2, Development Group 3	March 26, 2017
Part 2, Development Group 4	May 3, 2017
Part 2, Development Group 5	Not Completed

During testing, we noted the following problems as of June 30, 2017:

<u>Part 1</u>

- The Department paid the vendor for the Part 1 implementation prior to all requirements being implemented.
- After the Part 1 implementation, we noted the deliverables' documentation provided by the vendor to the Department was incomplete. In addition, we noted some of the deliverables provided by the vendor to the Department were marked as a draft version. Finally, we noted the Department had not reviewed or approved all of the deliverables' documentation.

<u>Part 2</u>

- The vendor did not provide all of the deliverables related to Part 2 for the four development groups implemented.

<u>Payments to the Vendor</u>

- The Department made duplicate vendor payments for the same services rendered, totaling $12,989.
- The Department had not imposed penalties on the vendor for failure to meet go-live milestones as required by the contract.

The Project Management Institute's *A Guide to the Project Management Body of Knowledge* (page 537), an American National Standard, notes a deliverable is a "unique and verifiable product, result, or capability to perform a service that is required to be produced to complete a process, phase, or project." As described in the contract between the vendor and the Department, these deliverables include topics such as system security plans, data conversion, system designs, functionality, disaster recovery, operational documentation, and validation documentation.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized effectively, effectively, and in compliance with applicable law.

Department management indicated documentation over the PBMS project management was missing or not maintained due to staff turnover.

The Department's lack of due diligence and an effective and controlled project management process has led to delays in the implementation and lack of receipt of final contract deliverables. (Finding Code No. 2017-016)

RECOMMENDATION

We recommend the Department take action to obtain from its vendor complete and final deliverables for Part 1 and applicable Part 2 Development Groups. In addition, the Department should seek to recoup the $12,989 overpayment to the vendor. Finally, the Department should review its project management process and implement controls on all future system developments. Complete and final project deliverables should be obtained and reviewed in a timely manner.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department has had the support and autonomous review of the federally-required Independent Validation and Verification (IV&V) vendor throughout the project. For Phase I, most deliverable sign-offs were handled informally via email rather than with formal documentation including signatures. A formal sign-off process for deliverables was instituted for Phase II. The Phase II PBMS Project Team worked closely with its IV&V vendor, meeting on a weekly basis to manage processes and to implement administrative controls to monitor deliverables for this project. In addition, the Department received a credit for the $12,988.80 overpayment associated with the double billed change request on the 12/31/2017 invoice, so the recoupment has occurred.

2017-017 **FINDING** (Failure to publish required managed care enrollment information)

The Department of Healthcare and Family Services (Department) failed to publish required managed care enrollment information in monthly reports as required by the Illinois Public Aid Code.

The Illinois Public Aid Code (Code) (305 ILCS 5/5-30.2) requires the Department to publish the following monthly reports as soon as practical if the data is reasonably available, but no later than January 1, 2017.

- Publish monthly reports on its website on the enrollment of persons in the State's medical assistance program.
- Publish monthly reports on its website on the enrollment of recipients of medical assistance into a Medicaid Managed Care Entity contracted by the Department. Medicaid Managed Care Entity is defined in the Act as a Managed Care Organization, Managed Care Community Network, Accountable Care Entity, or a Care Coordination Entity contracted by the Department.
- Publish monthly reports on its website detailing the percentage of persons enrolled in each Medicaid Managed Care Entity that was assigned using an auto-assignment algorithm. This percentage should also report the type of enrollee who was assigned using an auto-assignment algorithm for certain individuals.
- Publish monthly enrollment reports for each Medicaid Managed Care Entity which includes data on the two most recently available months and data comparing the most recently available month to that month in the prior year.
- Publish monthly enrollment reports for each Medicaid Managed Care Entity which includes a breakdown of language preference for enrollees by English, Spanish, and the next four most commonly used languages.

During the examination period, the Department did not publish the monthly reports as required by the Code.

Department management indicated certain systems and personnel changes resulted in the Department's failure to publish the managed care monthly reports during the examination period.

Failure to publish the monthly reports lessens public accountability over the State's medical assistance program, specifically its managed care program. Further it represents noncompliance with the Illinois Public Aid Code. (Finding Code No. 2017-017)

RECOMMENDATION

We recommend the Department publish the managed care monthly reports as required by the Illinois Public Aid Code.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department has developed code to extract and include the additional requirements not currently provided. The expectation is that all reporting elements will be published on the Department's website by the end of June 2018.

2017-018 **FINDING** (Inadequate controls over State vehicles)

The Department of Healthcare and Family Services (Department) did not have adequate controls over the maintenance of State vehicles.

During the testing of 23 State vehicles for proper vehicle maintenance, we noted the following:

- 21 (91%) vehicles had one or more instances in which the required oil changes were not performed in accordance with the Department of Central Management Services (CMS) policies. Of the 21 vehicles not properly maintained, 3 had untimely oil changes based on the number of miles driven from the previous oil change; 2 were untimely based on the number of months passed; and 16 were untimely in regards to both miles driven and months passed. The number of miles oil changes were overdue ranged from 1,033 to 12,543 miles, while the number of months overdue ranged from two to 27.
- 22 (96%) vehicles did not have regular tire rotations performed in accordance with CMS policy. Of the 22 vehicles not properly maintained, 1 had untimely tire rotations based on the number of miles driven from the previous tire rotation; 7 were untimely based on the number of months passed; and 14 were untimely in regards to both miles driven and months passed. The number of miles tire rotations were overdue ranged from 2,266 to 27,578 miles, while the number of months overdue ranged from 2 to 31.

The CMS Vehicle Usage Program, effective July 1, 2012, requires the Department to follow prescribed maintenance intervals to keep fleet costs down. Oil changes are required per CMS policy every 3,000 miles or 6 months on model 2002 and older passenger vehicles and 5,000 miles or 6 months on model year 2003 and newer passenger vehicles. Tire rotations are required every second oil change (12 months or 10,000 miles).

- 19 (83%) vehicles did not receive the required annual CMS inspection in the fiscal year tested in accordance with the Illinois Administrative Code.

The Illinois Administrative Code (44 Ill. Admin. Code 5040.410) requires the Department to have vehicles inspected by CMS at least annually.

Department managed indicated the maintenance lapses identified were due to oversight.

Failure to maintain vehicles in accordance with CMS policy could result in vehicles not being operable through its estimated useful life and could result in costly repairs. Further, it represents noncompliance with the CMS Vehicle Usage Program and the Illinois Administrative Code. (Finding Code No. 2017-018)

RECOMMENDATION

We recommend the Department improve internal controls over maintenance of State vehicles in accordance with the CMS Vehicle Usage Program and the Illinois Administrative Code.

DEPARTMENT RESPONSE

The Department accepts the recommendation.

2017-019 **<u>FINDING</u>** (Inadequate controls over collections of accounts receivable)

The Department of Healthcare and Family Services (Department) did not have adequate controls over the collections of accounts receivables. The Department failed to follow procedures regarding the referral of past due accounts to the Office of the State Comptroller's (Comptroller) Offset System, or when deemed necessary, to the Office of the Attorney General to be written off.

During the current examination, we selected samples of all accounts receivable over 90 days. As of June 30, 2016, we noted 56 of 177 (32%) accounts tested, totaling $843,429, were not submitted to either the Comptroller's Offset System or sent to the Attorney General to be certified as uncollectible. As of June 30, 2017, we noted 32 of 68 (47%) accounts tested, totaling $13,415 were not submitted to either the Comptroller's Offset System or sent to the Attorney General to be certified as uncollectible. For each of the accounts noted in error above, the Department did not provide documentation it had entered into a deferred payment plan or demonstrate to the Comptroller's satisfaction that referral for offset is not cost effective. The Department's financial statements did not require an adjustment due to the accounts being considered uncollectible.

The Illinois State Collections Act of 1986 (30 ILCS 210/5(c-1)) (Act) states all debts that exceed $250 and more than 90 days past due be placed in the Comptroller's Offset System, unless the Department has entered into a deferred payment plan or demonstrates to the Comptroller's satisfaction that referral for offset is not cost effective. The Statewide Accounting Management System (SAMS) Manual (Procedure 26.40.20) requires accounts receivable to be placed in the Comptroller's Offset System in order for the Comptroller to deduct from warrants payable to any person the amount for which there exists a claim due and payable in favor of the State. Further, the Uncollected State Claims Act (30 ILCS 205/2) states when any State agency is unable to collect any claim or account receivable of $1,000 or more due the agency after having pursued the procedure prescribed by law or applicable rules and regulations for the collection thereof or, if no procedure is so prescribed, then after having undertaken all reasonable and appropriate procedures available to the agency to effectuate collection, the State agency shall request the Attorney General to certify the claim or accounts receivable to be uncollectible. Claims or accounts receivable of less than $1,000 may be certified as uncollectible by the agency when the agency determines that further collection efforts are not in the best economic interest of the State.

Department management stated this was due to the overall complexity and circumstances surrounding the accounts which require considerable review before submittal for write-off to the Office of the Attorney General or submittal for offset to the Office of the State Comptroller.

Failure to submit accounts receivable over $250 and more than 90 days past due to the Comptroller's Offset System or refer accounts receivables to the Attorney General results in noncompliance with State law and could result in the State not being able to recover amounts it is owed. (Finding Code No. 2017-019, 2015-006, 2013-006)

<u>RECOMMENDATION</u>

We recommend the Department submit past due accounts receivable to the Comptroller for placement in the Comptroller's Offset System in accordance with the Illinois State Collection Act of 1986 and the Statewide Accounting Management System. Further, where applicable, we recommend the Department request the Attorney General to certify accounts receivable the Department has been unable to collect as uncollectible.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department has submitted 19 of the 56 cases to the Illinois Debt Recovery Offset Portal (iDROP) and the Department is working towards resolving the remaining issues, with 34 cases close to being submitted to iDROP or written off.

2017-020 FINDING (Insufficient internal controls over expenditures)

The Department of Healthcare and Family Services (Department) did not maintain adequate internal controls over its processing of expenditures. Specifically, we noted errors in the Department's processing of vouchers and payment of the prompt payment interest (PPI).

During testing of 60 vouchers across various line items, we noted the following exceptions:

- Three (5%), totaling $2,178,569, were not approved within 30 days of the receipt of a proper bill.
- Two (3%), totaling $233,333, did not pay PPI when the date of payment was not within 90 days after the receipt of a proper bill.

During testing of 54 operation of auto vouchers, we noted the following exceptions:

- The Department was unable to provide the voucher or supporting documentation for two (4%) vouchers, totaling $43, selected for testing.
- One (2%) other voucher tested, totaling $43, did not include all supporting documentation of the amount paid. The voucher was missing a gas receipt in the amount of $43.

During testing of 90 vouchers from the Child Support Administration Fund (0757), we noted the following exceptions:

- 17 (19%), totaling $1,463,037, were not approved within 30 days of the receipt of a proper bill.
- 11 (12%), totaling $322,270, did not contain a proper approval signature.
- Eight (9%), totaling $177,669, did not contain an approval date. As a result, we were unable to determine if they were approved within 30 days as required.

During testing of 60 travel vouchers, we noted the following exceptions:

- Nine (15%), totaling $4,437, did not have direct billed lodging properly itemized.
- One (2%), totaling $467, was approved more than 60 days from last day of travel.
- One (2%), totaling $216, did not include the supporting documentation of a direct bill hotel charge in the amount of $68.

During testing of 295 travel vouchers for the Department's most frequent travelers and its executive staff, we noted the following exceptions:

- 134 (45%), totaling $19,207, did not have direct billed lodging properly itemized.
- Four (1%), totaling $590, were approved more than 60 days from the last day of travel.

During testing of 25 interest payments due, we noted the Department could not provide supporting documentation to demonstrate payment for 5 (20%), totaling $32,304. As a result, we were also unable to determine if the PPI was paid or, if paid, that it was paid at the correct amount.

The Illinois Administrative Code (74 Ill. Admin. Code 900.70) requires the Department to approve proper bills or deny bills with defects, in whole or part, within 30 days after receipt.

The State Prompt Payment Act (30 ILCS 540/3-2(1.05)) states any bill approved for payment must be paid or the payment issued to the payee within 90 days of receipt of a proper bill or invoice. If payment is not issued within this 90 day period, an interest penalty in the amount of 1% of any amount approved and unpaid shall be added for each month, or 0.033% of any amount approved and unpaid for each day, after the end of this 90 period, until final payment is made.

The State Records Act (5 ILCS 160/8) requires the Department's Director to make and preserve records containing adequate and proper documentation of the essential transactions of the Department to protect both the legal and financial rights of the State and of persons directly affected by the Department's activities.

The Statewide Accounting Management System (SAMS) Manual (Procedure 17.20.45 and Procedure 17.10.20) requires the Department to maintain written records reflecting the approval for payment of a bill and to maintain all supporting documentation necessary to substantiate their expenditures.

The Illinois Administrative Code (80 Ill. Admin. Code 2800.260) requires the Department to indicate direct billed items on the travel voucher along with all reimbursable items, which will then be deducted from the amount to be reimbursed to the employee.

The Illinois Administrative Code (80 Ill. Admin. Code 2800.240) further requires the Department to maintain support by receipts, in all instances, for railroad and airplane transportation, lodging, taxis and all other items in excess, individually, of $10, except for meals.

The Department's Administrative Reference Guide, Chapter 500.10 states that if 60 days lapse between the last date of travel and the proper bill date (the date of supervisory approval) on the C-10 Travel Voucher, the travel reimbursement will be included on the employee's wages and will be subject to applicable taxes as required by the Internal Revenue Service. "Include in wages" should be written in Box 31.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that (1) funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and (2) 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.

Department management stated the issues regarding travel vouchers were caused by clerical errors and an incorrect interpretation of one of the regulations. Department management stated the other issues noted were caused by staff turnover, inadequate procedures and human error.

Failure to maintain sufficient internal controls over expenditures could lead to inappropriate use or misuse of State funds and lead to unnecessary interest charges. Further failure to maintain sufficient internal controls over PPI due could lead to the State not paying for interest due resulting in potential unnecessary legal action against the State. Finally, failure to maintain sufficient internal controls over expenditures represents noncompliance with State laws and regulations. (Finding Code No. 2017-020)

RECOMMENDATION

We recommend the Department improve procedures and internal controls over its processing of expenditures.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department will reiterate the proper procedures to invoice processing staff, travelers and travel liaisons.

2017-021 **<u>FINDING</u>** (Inadequate controls over personal services)

The Department of Healthcare and Family Services (Department) did not have adequate controls over personal services.

During testing of personal services files, we noted the Department did not timely complete performance evaluations for 21 of 60 (35%) employees tested. The performance evaluations were performed between 33 and 257 business days after the last date in the period of performance. In addition the Department did not perform one or more evaluations during fiscal year 2016 and/or fiscal year 2017 for 26 of 60 (43%) employees tested.

The Illinois Administrative Code (80 Ill. Admin. Code 302.270 (d)) requires, for a certified employee, each agency to prepare an employee performance evaluation not less often than annually. In addition, the Illinois Administrative Code (80 Ill. Admin. Code 310.450 (c)) requires evaluations be completed prior to when annual merit increases are awarded. The Illinois Administrative Code (80 Ill. Admin. Code 302.270 (b)) also requires agencies to prepare two evaluations for employees serving a six-month probationary period, one at the end of the third month and one 15 days before the conclusion of the employee's six-month probationary period. Further, the Department's Employee Handbook (Section 115.2) requires a Performance Record (forms CMS-201R or CMS-201MD, Individual Development and Performance System) to be completed at least twice for employees serving a six-month or four-month probationary period and every employee should be evaluated annually.

During testing of timesheets, auditors noted four of 60 (7%) employees tested had 29 instances of missing supervisor signatures and/or dates on the daily time sheets.

The Department's Employee Daily Time Log (form HFS 163), used by employees to record daily time worked, requires supervisory certification that the employees and periods of service shown on the log are correct. Additionally, good business practice dictates supervisory approval of time worked.

During testing of overtime, auditors noted two of 25 (8%) employees tested were missing four instances of overtime approval.

The Department's Employee Handbook (Section 120.6) states overtime pay requires prior approval by the Division Administrator or a member of Executive Staff.

Department management stated the Division of Personnel sends out monthly reminders to all areas of the Department with an updated list of due and overdue evaluations. In 2016, the Department began to develop an automated evaluation form to make the process less difficult and reduce development and processing time for each evaluation; however, the Department of Central Management Services (CMS) declined the request to automate the CMS evaluation form for efficiency purposes and CMS has now begun to build its own automated evaluation process. The timesheets that did not have signatures were due to human error and the missing overtime approvals were an oversight.

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 the Illinois Administrative Code and the Department's Employee

Handbook, which might result in missing information that could be relevant to subsequent personnel decisions. Review of employee timesheets by supervisors leads to a greater level of accountability over Department employees. It also serves as a control mechanism to minimize errors in employee timekeeping. Failure to properly approve timesheets could result in employees being compensated for time not spent at work. (Finding Code No. 2017-021, 2015-011, 2013-005, 11-8, 09-5, 08-11, 07-11, 06-6, 05-1)

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 supervisors approve and date all timesheets and overtime as required by the form HFS 163 and the Department's Employee Handbook.

DEPARTMENT RESPONSE

The Department accepts the recommendation.

2017-022 FINDING (Insufficient controls over the University of Illinois Hospital Services Fund)

The Department of Healthcare and Family Services (Department) did not have adequate controls for the payments made in accordance with the Illinois Medicaid State Plan.

During our review of the University of Illinois Hospital Services Fund, which included a review of the interagency agreement between the Board of Trustees of the University of Illinois (Board) and the Department, and our testing of reimbursement rates determined by the Department, we noted the Department did not make annual Disproportionate Share Hospital (DSH) payments in twelve monthly installments in accordance with the Illinois Medicaid State Plan.

Specifically, we noted in fiscal year 2016, no payments were made in the months of July 2015, August 2015, November 2015 or May 2016. It was noted the correct annual amount of $38,253,516 was paid by making multiple payments in September 2015, December 2015, April 2016 and June 2016. In fiscal year 2017, no payments were made in the months of July 2016, November 2016, or February 2017. It was noted the correct annual amount of $37,999,588 was paid by making multiple payments in August 2016, December 2016 and June 2017.

In the prior year compliance examination, we noted the Department did not calculate fiscal year 2014 inpatient and outpatient rates or fiscal year 2015 inpatient rates in a timely manner. The Department and Board interagency agreement requires the rates to be recalculated annually. During the current examination period, the Department timely determined the rates and no exceptions were noted with respect to the timeliness of rate development.

With respect to DSH payments, the Illinois Medicaid State Plan states the annual amount shall be paid to the hospital in monthly installments.

Department management stated in fiscal year 2016, the State had not finalized a budget, which caused an immediate delay in the University of Illinois DSH payments. Furthermore, in both fiscal years 2016 and 2017, the University of Illinois did not systematically deposit the $7.5 million into the University of Illinois Hospital Services Fund, on a monthly basis for January through June as specified in the interagency agreement between the Department and the University of Illinois, causing uncertainties in the fund balance, which can lead to delayed DSH payments by the Department.

Failure to make monthly installments decreases the amount of monthly cash available to the University of Illinois Hospital and Clinics and is noncompliance with the Illinois Medicaid State Plan. (Finding Code No. 2017-022, 2015-010)

RECOMMENDATION

We recommend the Department make equal monthly Disproportionate Share Hospital payments as required by the Illinois Medicaid State Plan.

DEPARTMENT RESPONSE

The Department accepts the recommendation. Several factors contributed to the inconsistencies in DSH payments in SFY 2016 and SFY 2017. In SFY 2016, the State had not finalized a budget, which caused an immediate delay in payments. Furthermore, in both

State Fiscal years 2016 and 2017, the University of Illinois did not systematically deposit the $7.5 million into the University of Illinois Hospital Services Fund (136), on a monthly basis for January through June. These deposits are specified in the, 4th amendment to the Interagency Agreement between HFS and the University of Illinois, beginning in SFY 2014. Failure to deposit these funds causes uncertainties in the fund balance, which can lead to delayed payment of DSH by the Department. Currently, HFS and the U of I are working on a revision to the payment schedule via a revised Interagency Agreement. Regardless, all annual DSH payments were issued to the U of I within the correct State Fiscal Year. The Department does not anticipate untimely monthly DSH payments in the future.

2017-023 **FINDING** (Inaccurate payment of Cook County Disproportionate Share Hospital adjustments)

The Department of Healthcare and Family Services (Department) did not make accurate Disproportionate Share Hospital (DSH) adjustment payments to two Cook County eligible hospitals. This resulted in an overpayment to one hospital and an underpayment to the other by $638,826.

The Illinois Administrative Code (89 Ill. Admin. Code 148) stipulates guidelines and requirements for DSH adjustments, including but not limited to the formula for calculating the adjustment, which hospitals qualify and in which order the adjustments are allotted.

According to the DSH payment calculations, the total fiscal year 2017 estimated uncompensated care costs, after adjustment for the fiscal year-end DSH Federal Financial Participation (FFP) rate of 51.30%, is $459,574,294. After other eligible hospitals received their portion of the DSH adjustment allotment, the two eligible Cook County hospitals' allotment was determined to be $307,166,430. At the time of the adjustment calculation, $128,330,970 had already been paid to the Cook County hospitals throughout the fiscal year, leaving a remaining total of $178,835,460 to allocate.

The Department was to use the fiscal year 2017 DSH allocation payment percentages of 97.94% and 2.06% to allocate the remaining allotment of $178,835,460 between the two Cook County hospitals. After the allocation, one hospital was to receive $175,150,814 and the other hospital was to receive $3,684,646. However, the Department actually paid $174,511,988 (97.58%) and $4,323,472 (2.42%). This resulted in an overpayment to one hospital and an underpayment to the other by $638,826.

Department management indicated the error in payment allocation was due to an oversight.

Failure to accurately allocate DSH adjustments resulted in a hospital not receiving funds for which it was due and represents noncompliance with the Illinois Administrative Code. (Finding Code No. 2017-023)

RECOMMENDATION

We recommend the Department improve procedures and review processes of the Disproportionate Share Hospital adjustments to ensure compliance with the Illinois Administrative Code.

DEPARTMENT RESPONSE

The Department accepts the recommendation. Due to the fact that these hospitals are both owned and operated by Cook County, there is zero financial effect as a result. However, the Department will strive to adhere to the calculation as directed in the State Plan and Administrative Code in the future.

2017-024 **FINDING** (Noncompliance with the Illinois Public Aid Code – Task Force not formed)

The Department of Healthcare and Family Services (Department) did not establish the Long-Term Services and Support Disparities Task Force (Task Force) as required by the Illinois Public Aid Code.

The Illinois Public Aid Code (Code) (305 ILCS 5/12-4.48) requires the Department to establish the Task Force. The Task Force's purpose is to promote and facilitate communication and coordination among relevant State agencies and communities of color, limited English-speaking communities, and the private and public entities providing services to those communities. The Task Force is also required to perform various prescribed duties to gather and analyze data, receive public input and make recommendations to the Governor and General Assembly.

Further, the Code states the Department's Director is responsible to appoint members of the Task Force including representatives from: the Governor's Office, the Department of Healthcare and Family Services, the Department of Human Services, the Department on Aging, the Department of Human Rights, the Department of Public Health and various others from the long-term services and support industries and the public. The Code requires the Task Force meet no less than four times each calendar year, and a report of findings and recommendations was required to be submitted to the Governor and the General Assembly no later than August 1, 2015; thereafter, annual reports shall be issued each year with documentation of progress made to eliminate disparities in long-term care service settings. Since the Task force had not been formed, none of the required reports were prepared or submitted.

Department management stated the Task Force has yet to be convened due to budget constraints.

Failure to establish the Task Force represents noncompliance with the Code and deprives the Governor and General Assembly information concerning any disparities identified in long-term service settings and recommendations and progress made to eliminate such disparities. (Finding Code No. 2017-024, 2015-012)

RECOMMENDATION

We recommend the Department establish a Long-Term Services and Support Disparities Task Force as required by the Illinois Public Aid Code, or seek legislative remedy.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Long-Term Service and Support Disparities Task Force was organized under the Quality Care Subcommittee of the Department's Medicaid Advisory Committee (MAC), and convened its first meeting on January 23, 2018 and its second meeting on March 20, 2018.

2017-025 **FINDING** (Failure to maintain a voter information data transfer mechanism)

The Department of Healthcare and Family Services (Department) failed to establish and operate a voter registration system capable of transmitting voter registration application information to the State Board of Elections' portal interfaced with its Online Voter Registration System by July 1, 2016 as required by the Election Code (Code).

During fieldwork, we noted that as of June 30, 2017, the Department had not established or operated the system as required.

The Election Code (10 ILCS 5/1A-16.6) required the State Board of Elections to establish and maintain by April 1, 2016, a portal for government agency registration that permitted an eligible person to electronically apply to register to vote or to update his or her existing voter registration whenever he or she conducts business, either online or in person, with a designated government agency. The portal was to interface with the State Board of Elections' Online Voter Registration System and was to be capable of receiving and processing voter registration application information, including electronic signatures, from designated governmental agencies. The Code further required each designated government agency to establish and operate, by July 1, 2016, a voter information data transfer mechanism capable of transmitting voter registration application information to the State Board of Elections' portal. The Department is one of the designated government agencies as specified in the Code (10 ILCS 5/1A-16.6(f)).

Department management stated this mechanism is intended to be included in the Integrated Eligibility System Phase 2 functionality.

Failure to maintain and operate a voter registration system capable of transmitting voter registration application information represents noncompliance with Code and denies the public an avenue to register to vote or to update his or her existing voter registration information. (Finding Code No. 2017-025)

RECOMMENDATION

We recommend the Department establish and operate a voter registration system capable of transmitting voter registration application information as required by the Election Code.

DEPARTMENT RESPONSE

The Department accepts the recommendation. There are currently enhancement requests pending to develop a voter registration/update component capable of transmitting information to the State Board of Elections.

2017-026 **FINDING** (Failure to establish rate methodology and file required reports for the Mammography Program)

The Department of Healthcare and Family Services (Department) failed to establish a federally approved rate methodology and file a status report for the Mammography Program, as required by the Illinois Public Aid Code.

The Illinois Public Aid Code (Code) (305 ILCS 5/5) requires the Department to establish a rate methodology, subject to federal approval, for mammography at federally qualified health centers and other encounter-rate clinics. These clinics or centers may also collaborate with other hospital-based mammography facilities. By January 1, 2016, the Department was required to report to the General Assembly on the status of the rate methodology.

During testing, we noted the Department is reimbursing eligible providers at a rate established in March 2013 for the Breast Cancer Screening and Treatment Quality Improvement Program. However, the Department has not established a federally approved rate methodology for mammography at federally qualified health centers and other encounter-rate clinics in accordance with the Code. Additionally, as of the date of testing, the Department had not filed the status report.

Department management stated it has not developed a separate rate methodology for mammography services delivered at a federally qualified health center (FQHC) due to lack of appropriations. These services are currently included in the FQHC's encounter rate.

Failure to establish a federally approved rate methodology and file the required status report represents noncompliance with the Illinois Public Aid Code and lessens governmental oversight of reimbursed rates for medical assistance programs which can impact financial decisions of the Department and the State as a whole. (Finding Code No. 2017-026)

RECOMMENDATION

We recommend the Department establish a federally approved rate methodology and file the status report on the Mammography Program as required by the Illinois Public Aid Code.

DEPARTMENT RESPONSE

The Department accepts the recommendation. The Department will seek legislative remedy to appropriate the program in the next legislative session.

PRIOR FINDINGS NOT REPEATED

A. <u>FINDING</u> (Lack of control over the Integrated Eligibility System)

During the prior engagement, the Department of Healthcare and Family Services and the Department of Human Services (Departments) failed to implement adequate security, change management, and recovery controls over the State's Integrated Eligibility System (IES).

During the current engagement, we noted adequate controls still had not been implemented over security, change management, and recovery services. As such, we reported the issues separately in Finding 2017-009 and Finding 2017-010. (Finding Code No. 2016-002, 2015-003)

B. <u>FINDING</u> (Noncompliance with the Illinois Public Aid Code - advance payment recoupment)

During the prior engagement, the Department of Healthcare and Family Services (Department) did not recoup advance payments to nursing facilities in accordance with the terms and timeframe established in the Illinois Public Aid Code.

During the current engagement, we noted the Department has now collected $45,351,928 of the original advanced payments totaling $45,398,230 (99.9%). The remaining amount of $46,302 is an accounts receivable from a closed facility in which the Department is actively seeking reimbursement through the proper collection procedures. (Finding Code No. 2015-005)

C. <u>FINDING</u> (Noncompliance with the Illinois Public Aid Code - interagency agreements)

During the prior engagement, the Department's interagency agreements with Department of Human Services and the Illinois Department on Aging did not contain certain language required by the Illinois Public Aid Code.

During the current engagement, we noted the Department took corrective action and amended the interagency agreements to include all the necessary requirements set forth by the statute. (Finding Code No. 2015-007)

D. <u>FINDING</u> (Noncompliance with the Custody Relinquishment Prevention Act)

During the prior engagement, the Department was not in compliance with the Custody Relinquishment Act. Specifically, the Department had not entered into an interagency agreement with the Department of Children and Family Services (DCFS), the Department of Human Services, the Illinois State Board of Education, the Department of Juvenile Justice, and the Department of Public Health to establish an interagency clinical team to identify at risk children and youth and connect them to appropriate services to stabilize the child or youth and thereby avoid the family's relinquishment of custody to DCFS (20 ILC 540/15).

During the current engagement, we noted the Department took corrective action and entered into the required interagency agreement. The executed agreement included all the necessary requirements set forth by the statute. (Finding Code No. 2015-008)

E. FINDING (Inadequate controls over the County Provider Trust Fund)

During the prior engagement, the Department did not comply with certain provisions of its interagency agreement with Cook County Health and Hospitals System and Cook County Board of Commissioners. Specifically, the Department determined inpatient and outpatient untimely or inpatient rates were not determined as of June 30, 2015.

During the current engagement, we noted the Department determined inpatient and outpatient rates timely. (Finding Code No. 2015-009, 2013-008, 11-4)

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 Appropriations, Expenditures and Lapsed Balances – Fiscal year 2017
  Schedule of Appropriations, Expenditures and Lapsed Balances – Fiscal year 2016
  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 Operations (Unaudited):

  Department Functions and Planning Program (Unaudited)
  Analysis of Significant Variations in Expenditures (Unaudited)
  Analysis of Significant Variations in Receipts (Unaudited)
  Analysis of Significant Lapse Period Spending (Unaudited)
  Analysis of Accounts Receivable (Unaudited)
  Indirect Cost Reimbursements (Unaudited)
  Schedule of Adjudication Pattern, Payment Patterns and Claims Paid (Unaudited)
  Budget Impasse Disclosures (Unaudited)
  Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
  Interest Costs on Invoices (Unaudited)
  Average Number of Employees (Unaudited)
  Fiscal Year Statistics – Medicaid Enrollment (Unaudited)
  Emergency Purchases (Unaudited)
  Memorandum of Understanding (Unaudited)
  Service Efforts and Accomplishments (Unaudited)

The accountant's 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 auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Sixteen Months Ended October 31, 2017
(Expressed in Thousands)

Public Act 99-0524, 100-0021 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed
APPROPRIATED FUNDS					
General Revenue Fund - 0001					
Administrative					
Regular Positions		$ 15,980	$ 680	$ 16,660	
State Contributions to Social Security		1,172	50	1,222	
Inspector General - Personal Services		4,201	179	4,380	
State Contributions to Social Security		310	13	323	
Attorney General - Personal Services		388	10	398	
State Contributions to Social Security		28	1	29	
State Contribution to State Employees' Retirement System		1	-	1	
Ordinary & Continuing Expenses	$ 25,000	25,000	-	25,000	$ -
Total Administrative	25,000	47,080	933	48,013	-
Medical Assistance					
Physicians		10	9	19	
Hospital In-Patient		1,330,464	75,737	1,406,201	
Prescribed Drugs		136,422	18,466	154,888	
Optometrists		56	9	65	
Podiatrists		-	1	1	
Federally Defined Institutions for Mental Diseases		9,385	1,463	10,848	
Supportive Living Facilities		66,482	9,449	75,931	
Skilled and Intermediate Long-Term Care		458,407	31,745	490,152	
ICG LTC Facilities Persons <22		4,102	-	4,102	
ICG Mental Health Service		3,744	1,608	5,352	
Dentists		4,571	166	4,737	
Appliances		35,814	(26)	35,788	
Transportation		29,055	3,393	32,448	

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Sixteen Months Ended October 31, 2017
(Expressed in Thousands)

Public Act 99-0524, 100-0021 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed
Other Related Medical Services		$ 114,307	$ 8,314	$ 122,621	
Hospice Care		63,142	8,236	71,378	
Home Health Care, Therapy and Nursing Services		3,386	194	3,580	
Division of Special Care for Children		89,051	15,557	104,608	
Renal Disease Medical Care		63	14	77	
Sexual Assault Victims Medical Care		106	113	219	
Health Maintenance Organizations & Managed Care		4,167,683	(767,181)	3,400,502	
Total Medical Assistance		6,516,250	(592,733)	5,923,517	
Total General Revenue Fund - 0001	$ 25,000	$ 6,563,330	$ (591,800)	$ 5,971,530	$ -
Supportive Living Facility Fund - 0062	$ 15,000	$ -	$ -	$ -	$ 15,000
University of Illinois Hospital Services Fund - 0136	$ 375,000	$ 115,222	$ 11,058	$ 126,280	$ 248,720
County Provider Trust Fund - 0329					
Administrative Expenses	$ 25,000	$ 3,730	$ 1,077	$ 4,807	$ 20,193
Hospital Provider	2,500,000	1,954,350	50,824	2,005,174	494,826
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total County Provider Trust Fund - 0329	$ 2,526,000	$ 1,958,080	$ 51,901	$ 2,009,981	$ 516,019
Provider Inquiry Trust Fund - 0341	$ 2,500	$ 736	$ 53	$ 789	$ 1,711
Care Provider for Persons with Developmental Disabilities Fund - 0344					
Administrative Expenses	$ 192	$ 172	$ 7	$ 179	$ 13
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total Care Provider for Persons with Developmental Disabilities Fund - 0344	$ 1,192	$ 172	$ 7	$ 179	$ 1,013

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Sixteen Months Ended October 31, 2017
(Expressed in Thousands)

Public Act 99-0524, 100-0021 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed
Long-Term Care Provider Fund - 0345					
Administrative Expenses	$ 1,294	$ 823	$ 34	$ 857	$ 437
Long-Term Care Provider Services	550,000	369,262	75,905	445,167	104,833
Overpayment Assessment Refunds	2,750	-	-	-	2,750
Total Long-Term Care Provider Fund - 0345	$ 554,044	$ 370,085	$ 75,939	$ 446,024	$ 108,020
Hospital Provider Fund - 0346					
Hospitals	$ 3,000,000	$ 2,902,896	$ -	$ 2,902,896	$ 97,104
Overpayment Assessment Refunds	5,000	-	-	-	5,000
Total Hospital Provider Fund - 0346	$ 3,005,000	$ 2,902,896	$ -	$ 2,902,896	$ 102,104
Special Education Medicaid Matching Fund - 0355	$ 200,000	$ 121,047	$ 32,944	$ 153,991	$ 46,009
Trauma Center Fund - 0397	$ 15,000	$ 4,552	$ 3,881	$ 8,433	$ 6,567
Public Aid Recoveries Trust Fund - 0421					
Personal Services	$ 23,250	$ 20,448	$ 887	$ 21,335	$ 1,915
State Contribution to State Employees' Retirement System	10,362	9,117	396	9,513	849
Social Security	1,779	1,502	66	1,568	211
Group Insurance	6,406	5,354	281	5,635	771
Contractual Services	64,963	29,545	7,230	36,775	28,188
Travel	146	25	3	28	118
Commodities	228	83	20	103	125
Printing	351	244	25	269	82
Equipment	874	16	12	28	846
Telecommunications Services	1,155	670	156	826	329
Technical Infrastructure/Medical Data Warehouse	53,706	23,232	5,954	29,186	24,520
Total Public Aid Recoveries Trust Fund - 0421	$ 163,220	$ 90,236	$ 15,030	$ 105,266	$ 57,954
Electronic Health Record Incentive Fund - 0503	$ 100,000	$ 43,114	$ -	$ 43,114	$ 56,886

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Sixteen Months Ended October 31, 2017
(Expressed in Thousands)

Public Act 99-0524, 100-0021 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed
Money Follows the Person Budget Transfer Fund - 0522	$ 11,000	$ 871	$ 256	$ 1,127	$ 9,873
Juvenile Rehabilitation Services Medicaid Matching Fund - 0575	$ 1,500	$ 37	$ 5	$ 42	$ 1,458
Budget Stabilization Fund - 0686	$ 18,000	$ 18,000	$ -	$ 18,000	$ -
Medical Interagency Program Fund - 0720	$ 70,000	$ 32,764	$ 6,733	$ 39,497	$ 30,503
Drug Rebate Fund - 0728	$ 1,440,000	$ 699,936	$ 740,064	$ 1,440,000	$ -
Tobacco Settlement Recovery Fund - 0733	$ 200,600	$ 109,262	$ 69	$ 109,331	$ 91,269
Medicaid Buy-in Program Revolving Fund - 0740	$ 600	$ 551	$ 24	$ 575	$ 25
Child Support Administrative Fund - 0757					
Personal Services	$ 58,695	$ 51,381	$ 2,186	$ 53,567	$ 5,128
Employee Retirement Contributions Paid by Employer	22	19	1	20	2
State Contribution to State Employees' Retirement System	26,159	22,902	975	23,877	2,282
Social Security	4,486	3,752	161	3,913	573
Group Insurance	21,624	16,232	785	17,017	4,607
Contractual Services	56,000	10,797	25,439	36,236	19,764
Travel	233	64	22	86	147
Commodities	292	26	2	28	264
Printing	180	72	49	121	59
Equipment	1,500	2	-	2	1,498
Telecommunications Services	1,900	4	1,161	1,165	735
Child Support Enforcement Demonstration Projects	$ 500	$ 260	$ 44	$ 304	$ 196
Enhanced Collection Efforts & Paternity Adjudication Demo	7,000	4,519	2,128	6,647	353
State Disbursement Unit Costs	11,850	5,265	2,655	7,920	3,930
Total Child Support Administrative Fund - 0757	$ 190,441	$ 115,295	$ 35,608	$ 150,903	$ 39,538

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Sixteen Months Ended October 31, 2017
(Expressed in Thousands)

Public Act 99-0524, 100-0021 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed
Healthcare Provider Relief Fund - 0793					
Medical Assistance Providers	$ 6,150,000	$ 4,408,514	$ 244,415	$ 4,652,929	$ 1,497,071
Operational Lump Sum	56,362	29,144	2,790	31,934	24,428
Total Healthcare Provider Relief Fund - 0793	$ 6,206,362	$ 4,437,658	$ 247,205	$ 4,684,863	$ 1,521,499
Medical Special Purposes Trust Fund - 0808					
Medical Demonstration Projects	$ 10,000	$ 1,651	$ 191	$ 1,842	$ 8,158
Eligible Verify and Enroll System	60,000	87	4	91	59,909
Total Medical Special Purposes Trust Fund - 0808	$ 70,000	$ 1,738	$ 195	$ 1,933	$ 68,067
TOTAL APPROPRIATED FUNDS		$ 17,585,582	$ 629,172	$ 18,214,754	
NON-APPROPRIATED FUNDS					
Public Aid Recoveries Trust Fund - 0421					
Payment to Local Government for Services to Recipients		$ 22,313	$ 1,201	$ 23,514	
Federal Share Due to General Revenue Fund		346,865	-	346,865	
Refund of TPL Recoveries		25	6	31	
Refund of Non-TPL Recoveries		918	-	918	
Early Intervention - Due DHS		-	85	85	
Core Medicaid Administrative Expense - UIC		2,258	-	2,258	
Total Public Aid Recoveries Trust Fund - 0421		$ 372,379	$ 1,292	$ 373,671	
Child Support Enforcement Trust Fund - 0957					
Redirects					
Illinois TANF Excess Child Support Clients		$ 2,322	$ (2)	$ 2,320	
Out-of-State TANF Clients		7,430	(6)	7,424	
Illinois Non-TANF Clients		82,960	32	82,992	
Out-of-State Non-TANF Clients		46,669	60	46,729	
Total Redirects		139,381	84	139,465	

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Sixteen Months Ended October 31, 2017
(Expressed in Thousands)

Public Act 99-0524, 100-0021 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed
Refunds/Payments to Other Agencies					
Refund Responsible Relative - IRS Offsets		$ 1,825	$ (9)	$ 1,816	
Refund Responsible Relative - IRS pre N/A		7	-	7	
Refund Responsible Relative - State Offsets		694	(3)	691	
Refund Responsible Relative - State pre N/A		1	-	1	
Refund Responsible Relative - Court or Third Parties		798	(5)	793	
Refunds/IRS Offset Nonpublic Aid Clients		11	-	11	
Refunds/State Offset Nonpublic Aid Clients		13	-	13	
Refund - Nonassistance Clients		3,190	29	3,219	
Fund Transfer		492	-	492	
Interest Penalty/State Refund		1	-	1	
Interest Paid to Clients, DCFS, Other		4,835	27	4,862	
Reimburse DCFS Title IV-E		2,972	-	2,972	
DCSE Unclaimed Property		109	-	109	
Total Refunds/Payments to Other Agencies		14,948	39	14,987	
Total Child Support Enforcement Trust Fund - 0957		$ 154,329	$ 123	$ 154,452	
TOTAL NON-APPROPRIATED FUNDS		$ 526,708	$ 1,415	$ 528,123	
ALL FUNDS					
Appropriated Funds		$ 17,585,582	$ 629,172	$ 18,214,754	
Non-Appropriated Funds		526,708	1,415	528,123	
TOTAL ALL FUNDS		$ 18,112,290	$ 630,587	$ 18,742,877	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of October 31, 2017, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Sixteen Months Ended October 31, 2017
(Expressed in Thousands)

Public Act 99-0524, 100-0021 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, since the Department never received enacted personal services appropriations for fund 0001, the Department was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during fiscal year 2017. Additionally, in *Memisovski v. Maram*, the U.S. District Court for the Northern District of Illinois, entered its July 24, 2015 Order, which provided the State of Illinois shall make all Medicaid payments for claims properly billed on behalf of Medicaid providers serving members of the Plaintiff Class, including capitated payments to managed care entities that have enrollees in the Plaintiff Class, that would have been paid in the absence of the budget impasse on July 1, 2015, and to continue to make timely and scheduled Medicaid payments in compliance with applicable federal law, until the budget impasse is resolved. This Order granted plaintiffs' motion for enforcement of consent decree in Beeks v. Bradley.

Note 4: Public Act 99-0524 authorizes the Department to pay fiscal year 2016 costs using its fiscal year 2017 appropriations for non-payroll expenditures. The Department did not use its fiscal year 2017 appropriations for non-payroll expenditures, except those prescribed by Section 25 of the State Finance Act for medical assistance as is the normal course of business.

Note 5: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Department to pay for all costs incurred prior to July 1, 2018, using either its fiscal year 2017 or fiscal year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices from fiscal year 2016 and fiscal year 2017 held by the Department to be submitted against either its fiscal year 2017 or fiscal year 2018 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Eighteen Months Ended December 31, 2016
(Expressed in Thousands)

Public Act 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to December 31	Total Expenditures 18 Months Ended December 31	Balances Lapsed
APPROPRIATED FUNDS					
General Revenue Fund - 0001					
Administrative					
Personal Services		$ 17,015	$ 738	$ 17,753	
State Contributions to Social Security		1,245	54	1,299	
Inspector General - Personal Services		4,261	183	4,444	
State Contributions to Social Security		314	14	328	
Attorney General - Personal Services		660	30	690	
State Contributions to Social Security		48	2	50	
State Contribution to State Employees' Retirement System		3	-	3	
Total Administrative		23,546	1,021	24,567	
Medical Assistance					
Physicians		201,086	10,753	211,839	
Hospital In-Patient		1,302,292	101,553	1,403,845	
Prescribed Drugs		408,715	2,940	411,655	
Optometrists		10,314	316	10,630	
Podiatrists		1,167	22	1,189	
Chiropractors		46	-	46	
Federally Defined Institutions for Mental Diseases		19,100	329	19,429	
Supportive Living Facilities		77,966	6,483	84,449	
Skilled and Intermediate Long-Term Care		658,550	36,639	695,189	
ICG Mental Health Service		6,712	758	7,470	
Dentists		85,435	164	85,599	
Community Health Centers		59,375	2,150	61,525	
Appliances		34,313	1,553	35,866	

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Eighteen Months Ended December 31, 2016
(Expressed in Thousands)

Public Act 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to December 31	Total Expenditures 18 Months Ended December 31	Balances Lapsed
Independent Laboratories		$ 17,328	$ 1,152	$ 18,480	
Transportation		31,224	2,437	33,661	
Other Related Medical Services		121,128	15,428	136,556	
Hospice Care		51,744	7,121	58,865	
Home Health Care, Therapy and Nursing Services		14,595	1,326	15,921	
Division of Special Care for Children		85,493	11,340	96,833	
Renal Disease Medical Care		91	8	99	
Hemophilia Medical Care		15	7	22	
Sexual Assault Victims Medical Care		189	31	220	
Health Maintenance Organizations & Managed Care		2,760,776	(84,720)	2,676,056	
Total Medical Assistance		5,947,654	117,790	6,065,444	
Total General Revenue Fund - 0001		$ 5,971,200	$ 118,811	$ 6,090,011	
Supportive Living Facility Fund - 0062	$ 15,000	$ -	$ -	$ -	$ 15,000
University of Illinois Hospital Services Fund - 0136	$ 375,000	$ 130,468	$ 5,394	$ 135,862	$ 239,138
County Provider Trust Fund - 0329					
Administrative Expenses	$ 25,000	$ 3,927	$ 185	$ 4,112	$ 20,888
Hospital Provider	2,500,000	2,046,613	93,128	2,139,741	360,259
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total County Provider Trust Fund - 0329	$ 2,526,000	$ 2,050,540	$ 93,313	$ 2,143,853	$ 382,147
Provider Inquiry Trust Fund - 0341	$ 2,500	$ -	$ 593	$ 593	$ 1,907

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Eighteen Months Ended December 31, 2016
(Expressed in Thousands)

Public Act 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to December 31	Total Expenditures 18 Months Ended December 31	Balances Lapsed
Care Provider for Persons with Developmental Disabilities Fund - 0344					
Administrative Expenses	$ 205	$ 170	$ 8	$ 178	$ 27
Overpayment Assessment Refunds	1,000	-	15	15	985
Total Care Provider for Persons with Developmental Disabilities Fund - 0344	$ 1,205	$ 170	$ 23	$ 193	$ 1,012
Long-Term Care Provider Fund - 0345					
Administrative Expenses	$ 1,929	$ 1,107	$ 44	$ 1,151	$ 778
Long-Term Care Provider Services	550,000	331,473	31,379	362,852	187,148
Overpayment Assessment Refunds	2,750	-	23	23	2,727
Total Long-Term Care Provider Fund - 0345	$ 554,679	$ 332,580	$ 31,446	$ 364,026	$ 190,653
Hospital Provider Fund - 0346					
Hospitals and Related Operating and Administrative Costs	$ 3,000,000	$ 2,442,424	$ 221,275	$ 2,663,699	$ 336,301
Overpayment Assessment Refunds	5,000	-	-	-	5,000
Total Hospital Provider Fund - 0346	$ 3,005,000	$ 2,442,424	$ 221,275	$ 2,663,699	$ 341,301
Special Education Medicaid Matching Fund - 0355	$ 200,000	$ 118,687	$ 40,641	$ 159,328	$ 40,672
Trauma Center Fund - 0397	$ 15,000	$ 6,678	$ 2,416	$ 9,094	$ 5,906
Public Aid Recoveries Trust Fund - 0421					
Personal Services	$ 26,105	$ 20,082	$ 876	$ 20,958	$ 5,147
State Contribution to State Employees' Retirement System	11,903	9,193	400	9,593	2,310
Social Security	1,997	1,469	65	1,534	463
Group Insurance	6,782	5,286	225	5,511	1,271
Contractual Services	68,024	27,762	12,450	40,212	27,812

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Eighteen Months Ended December 31, 2016
(Expressed in Thousands)

Public Act 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to December 31	Total Expenditures 18 Months Ended December 31	Balances Lapsed
Travel	$ 146	$ -	$ 18	$ 18	$ 128
Commodities	338	-	141	141	197
Printing	494	220	53	273	221
Equipment	874	-	32	32	842
Telecommunications Services	1,428	-	1,032	1,032	396
Technical Infrastructure/Medical Data Warehouse	50,314	6,009	23,402	29,411	20,903
Total Public Aid Recoveries Trust Fund - 0421	$ 168,405	$ 70,021	$ 38,694	$ 108,715	$ 59,690
Electronic Health Record Incentive Fund - 0503	$ 200,000	$ 36,694	$ (21)	$ 36,673	$ 163,327
Money Follows the Person Budget Transfer Fund - 0522	$ 15,000	$ -	$ 1,856	$ 1,856	$ 13,144
Juvenile Rehabilitation Services Medicaid Matching Fund - 0575	$ 1,500	$ 108	$ 7	$ 115	$ 1,385
Medical Interagency Program Fund - 0720	$ 70,000	$ 33,065	$ 9,555	$ 42,620	$ 27,380
Drug Rebate Fund - 0728	$ 700,000	$ 557,729	$ (788)	$ 556,941	$ 143,059
Tobacco Settlement Recovery Fund - 0733	$ 200,600	$ 4,419	$ 195,637	$ 200,056	$ 544
Medicaid Buy-in Program Revolving Fund - 0740	$ 550	$ 424	$ 24	$ 448	$ 102
Child Support Administrative Fund - 0757					
Personal Services	$ 58,800	$ 53,751	$ 2,334	$ 56,085	$ 2,715
Employee Retirement Contributions Paid by Employer	19	18	1	19	-
State Contribution to State Employees' Retirement System	26,812	24,536	1,066	25,602	1,210
Social Security	4,498	3,926	171	4,097	401

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Eighteen Months Ended December 31, 2016
(Expressed in Thousands)

Public Act 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to December 31	Total Expenditures 18 Months Ended December 31	Balances Lapsed
Group Insurance	$ 21,700	$ 17,199	$ 712	$ 17,911	$ 3,789
Contractual Services	56,000	2,043	39,709	41,752	14,248
Travel	233	-	54	54	179
Commodities	292	-	19	19	273
Printing	180	-	138	138	42
Equipment	1,500	-	3	3	1,497
Telecommunications Services	1,900	-	1,402	1,402	498
Child Support Enforcement Demonstration Projects	500	-	319	319	181
Enhanced Collection Efforts & Paternity Adjudication Demo	7,000	-	6,848	6,848	152
State Disbursement Unit Costs	11,850	7,234	733	7,967	3,883
Total Child Support Administrative Fund - 0757	$ 191,284	$ 108,707	$ 53,509	$ 162,216	$ 29,068
Healthcare Provider Relief Fund - 0793					
Medical Assistance Providers	$ 5,500,000	$ 4,594,623	$ 66,060	$ 4,660,683	$ 839,317
Operational Lump Sum	53,362	5,779	19,782	25,561	27,801
Total Healthcare Provider Relief Fund - 0793	$ 5,553,362	$ 4,600,402	$ 85,842	$ 4,686,244	$ 867,118
Medical Special Purposes Trust Fund - 0808					
Medical Demonstration Projects	$ 30,500	$ -	$ 1,549	$ 1,549	$ 28,951
Eligible Verify and Enroll System	35,000	560	21	581	34,419
Total Medical Special Purposes Trust Fund - 0808	$ 65,500	$ 560	$ 1,570	$ 2,130	$ 63,370
TOTAL APPROPRIATED FUNDS		$ 16,464,876	$ 899,797	$ 17,364,673	

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Eighteen Months Ended December 31, 2016
(Expressed in Thousands)

Public Act 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to December 31	Total Expenditures 18 Months Ended December 31	Balances Lapsed
NON-APPROPRIATED FUNDS					
Public Aid Recoveries Trust Fund - 0421					
Payment to Local Government for Services to Recipients		$ 23,458	$ 3,623	$ 27,081	
Federal Share Due to General Revenue Fund		319,223	76,560	395,783	
Refund of TPL Recoveries		118	(5)	113	
Refund of Non-TPL Recoveries		174	-	174	
Early Intervention - Due DHS		-	30	30	
Core Medicaid Administrative Expense - UIC		1,747	374	2,121	
Total Public Aid Recoveries Trust Fund - 0421		$ 344,720	$ 80,582	$ 425,302	
Child Support Enforcement Trust Fund - 0957					
Redirects					
Illinois TANF Excess Child Support Clients		$ 2,651	$ (4)	$ 2,647	
Out-of-State TANF Clients		7,425	(4)	7,421	
Illinois Non-TANF Clients		85,257	(272)	84,985	
Out-of-State Non-TANF Clients		46,866	(14)	46,852	
Total Redirects		142,199	(294)	141,905	
Refunds/Payments to Other Agencies					
Refund Responsible Relative - IRS Offsets		2,240	(14)	2,226	
Refund Responsible Relative - IRS pre N/A		15	-	15	
Refund Responsible Relative - State Offsets		985	6	991	
Refund Responsible Relative - State pre N/A		1	-	1	
Refund Responsible Relative - Court or Third Parties		728	(5)	723	
Refunds/IRS Offset Nonpublic Aid Clients		18	-	18	
Refunds/State Offset Nonpublic Aid Clients		11	-	11	

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Eighteen Months Ended December 31, 2016
(Expressed in Thousands)

Public Act 99-0409, 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to December 31	Total Expenditures 18 Months Ended December 31	Balances Lapsed
Refund - Nonassistance Clients		$ 3,375	$ 11	$ 3,386	
Fund Transfer		519	-	519	
Interest Penalty/State Refund		1	-	1	
Interest Paid to Clients, DCFS, Other		4,801	75	4,876	
Reimburse DCFS Title IV-E		2,761	217	2,978	
DCSE Unclaimed Property		149	-	149	
Total Refunds/Payments to Other Agencies		15,604	290	15,894	
Total Child Support Enforcement Trust Fund - 0957		$ 157,803	$ (4)	$ 157,799	
TOTAL NON-APPROPRIATED FUNDS		$ 502,523	$ 80,578	$ 583,101	
ALL FUNDS					
Appropriated Funds		$ 16,464,876	$ 899,797	$ 17,364,673	
Non-Appropriated Funds		502,523	80,578	583,101	
TOTAL ALL FUNDS		$ 16,967,399	$ 980,375	$ 17,947,774	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of December 31, 2016, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Department never received enacted personal services appropriations for fund 0001, the Department was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during fiscal year 2016.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Eighteen Months Ended December 31, 2016
(Expressed in Thousands)

Note 4: During the fiscal year 2016, the Department operated without enacted appropriations until Public Act 99-0409 and Public Act 99-0524 were signed into law on August 20, 2015 and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay". As such, the Department's court-ordered payroll payments were merged into the enacted appropriations for funds 0344, 0345, 0421, 0740, 0757, and 0808.

In *Memisovski v. Maram* , the U.S. District Court for the Northern District of Illinois, entered its July 24, 2015 Order, which provided the State of Illinois shall make all Medicaid payments for claims properly billed on behalf of Medicaid providers serving members of the Plaintiff Class, including capitated payments to managed care entities that have enrollees in the Plaintiff Class, that would have been paid in the absence of the budget impasse on July 1, 2015, and to continue to make timely and scheduled Medicaid payments in compliance with applicable federal law, until the budget impasse is resolved. This Order granted plaintiffs' motion for enforcement of consent decree in Beeks v. Bradley.

Additionally, the Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers for obligations and expenses required by consent decrees, including but not limited to payments for all services, programs, vendors, and contractors at the level paid as of June 30, 2015. As the Department never received enacted appropriations for court-ordered non-payroll payments in fund 0001, the Department was able to submit vouchers for obligations and expenses in full without a maximum appropriation limit during fiscal year 2016. The Department’s court-ordered non-payroll payments were merged into enacted appropriations for funds 0136, 0329, 0345, 0346, 0397, 0421, 0503, 0575, 0720, 0728, 0733, 0757, 0793 and 0808.

Further, the Department incurred non-payroll obligations not required by consent decrees within funds 0341, 0421, 0522, 0757, 0793, and 0808 which the Department was unable to pay until the passage of Public Act 99-0409 and Public Act 99-0524.

Note 5: Public Act 99-0524 authorizes the Department to pay fiscal year 2016 costs using its fiscal year 2017 appropriations for non-payroll expenditures. The Department did not use its fiscal year 2017 appropriations for non-payroll expenditures, except those prescribed by Section 25 of the State Finance Act for medical assistance as is the normal course of business.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015
(Expressed in Thousands)

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0524 P.A. 100-0021 Court-ordered Expenditures	P.A. 99-0409 P.A. 99-0524 Court-ordered Expenditures	P.A. 98-0642 P.A. 98-0680 P.A. 99-0001
APPROPRIATED FUNDS			
General Revenue Fund - 0001			
Appropriations (net of transfers)	$ 25,000	$ -	$ 7,178,423
Expenditures:			
Administrative:			
Personal Services	21,438	22,887	24,862
Employee Retirement Contribution Paid by Employer	1	3	6
Social Security	1,574	1,677	1,824
Contractual Services	-	-	4,223
Travel	-	-	80
Operation of Auto Equipment	-	-	23
Deposit into Child Support Administrative Fund	25,000	-	29,265
Deposit into Healthcare Provider Relief Fund	-	-	64,233
Deposit into Public Aid Recoveries Trust Fund	-	-	4,500
Total Administrative	48,013	24,567	129,016
Medical Assistance	5,923,517	6,065,444	6,395,443
Total Expenditures	5,971,530	6,090,011	6,524,459
Lapsed Balances	$ -	$ -	$ 653,964
Supportive Living Facility Fund - 0062			
Appropriations (net after transfers)	$ 15,000	$ 15,000	$ 15,000
Expenditures:			
Medicaid Research	-	-	-
Lapsed Balances	$ 15,000	$ 15,000	$ 15,000
Medicaid Research & Education Support Fund - 0116			
Appropriations (net after transfers)	$ -	$ -	$ 28,000
Expenditures:			
Medicaid Research	-	-	-
Lapsed Balances	$ -	$ -	$ 28,000
University of Illinois Hospital Services Fund - 0136			
Appropriations (net after transfers)	$ 375,000	$ 375,000	$ 375,000
Expenditures:			
U of I Hospital Services	126,280	135,862	200,074
Lapsed Balances	$ 248,720	$ 239,138	$ 174,926

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015
(Expressed in Thousands)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
	P.A. 99-0524 P.A. 100-0021 Court-ordered Expenditures	P.A. 99-0409 P.A. 99-0524 Court-ordered Expenditures	P.A. 98-0642 P.A. 98-0680 P.A. 99-0001
County Provider Trust Fund - 0329			
Appropriations (net after transfers)	$ 2,526,000	$ 2,526,000	$ 2,526,000
Expenditures:			
Administrative Expenses	4,807	4,112	19,707
Hospital Provider	2,005,174	2,139,741	2,154,590
Total Expenditures	2,009,981	2,143,853	2,174,297
Lapsed Balances	$ 516,019	$ 382,147	$ 351,703
Provider Inquiry Trust Fund - 0341			
Appropriations (net after transfers)	$ 2,500	$ 2,500	$ 2,500
Expenditures:			
Provider Inquiry Services	789	593	1,454
Lapsed Balances	$ 1,711	$ 1,907	$ 1,046
Care Provider for Persons with Developmental Disabilities Fund - 0344			
Appropriations (net after transfers)	$ 1,192	$ 1,205	$ 1,205
Expenditures:			
Administrative Expenses	179	178	165
Overpayment Assessment Refunds	-	15	-
Total Expenditures	179	193	165
Lapsed Balances	$ 1,013	$ 1,012	$ 1,040
Long-Term Care Provider Fund - 0345			
Appropriations (net after transfers)	$ 554,044	$ 554,679	$ 704,840
Expenditures:			
Administrative Expenses	857	1,151	1,168
Long-Term Care Provider Services	445,167	362,852	414,302
Overpayment Assessment Refunds	-	23	267
Total Expenditures	446,024	364,026	415,737
Lapsed Balances	$ 108,020	$ 190,653	$ 289,103
Hospital Provider Fund - 0346			
Appropriations (net after transfers)	$ 3,005,000	$ 3,005,000	$ 3,117,000
Expenditures:			
Managed Care Entities	-	-	12,000
Hospitals	2,902,896	2,663,699	1,850,859
HMOs, Managed Care Entities, and Coordinated Care Entities	-	-	667,717
Total Expenditures	2,902,896	2,663,699	2,530,576
Lapsed Balances	$ 102,104	$ 341,301	$ 586,424

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015
(Expressed in Thousands)

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0524 P.A. 100-0021 Court-ordered Expenditures	P.A. 99-0409 P.A. 99-0524 Court-ordered Expenditures	P.A. 98-0642 P.A. 98-0680 P.A. 99-0001
Special Education Medicaid Matching Fund - 0355			
Appropriations (net after transfers)	$ 200,000	$ 200,000	$ 200,000
Expenditures:			
Local Education Agencies for Medical Service	153,991	159,328	154,862
Lapsed Balances	$ 46,009	$ 40,672	$ 45,138
Trauma Center Fund - 0397			
Appropriations (net after transfers)	$ 15,000	$ 15,000	$ 15,000
Expenditures:			
Trauma Centers	8,433	9,094	10,027
Lapsed Balances	$ 6,567	$ 5,906	$ 4,973
Public Aid Recoveries Trust Fund - 0421			
Appropriations (net after transfers)	$ 163,220	$ 168,405	$ 188,507
Expenditures:			
Personal Services	21,335	20,958	22,735
State Contribution to State Employees' Retirement System	9,513	9,593	9,643
Social Security	1,568	1,534	1,661
Group Insurance	5,635	5,511	5,367
Contractual Services	36,775	40,212	40,512
Travel	28	18	49
Commodities	103	141	161
Printing	269	273	229
Equipment	28	32	373
Telecommunications Services	826	1,032	1,071
Technical Infrastructure/Medical Data Warehouse	29,186	29,411	25,116
Deposit into Medical Special Purposes Trust Fund	-	-	500
Total Expenditures	105,266	108,715	107,417
Lapsed Balances	$ 57,954	$ 59,690	$ 81,090
Electronic Health Record Incentive Fund - 0503			
Appropriations (net after transfers)	$ 100,000	$ 200,000	$ 200,000
Expenditures:			
Certified Electronic Health Record Technology	43,114	36,673	76,109
Lapsed Balances	$ 56,886	$ 163,327	$ 123,891

STATE OF ILLINOIS

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

For the Fiscal Years Ended June 30, 2017, 2016 and 2015

(Expressed in Thousands)

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0524 P.A. 100-0021 Court-ordered Expenditures	P.A. 99-0409 P.A. 99-0524 Court-ordered Expenditures	P.A. 98-0642 P.A. 98-0680 P.A. 99-0001
Money Follows the Person Budget Transfer Fund - 0522			
Appropriations (net after transfers)	$ 11,000	$ 15,000	$ 15,000
Expenditures:			
Money Follows the Person Demonstration Project	1,127	1,856	2,130
Lapsed Balances	$ 9,873	$ 13,144	$ 12,870
Juvenile Rehabilitation Services Medicaid Matching Fund - 0575			
Appropriations (net after transfers)	$ 1,500	$ 1,500	$ 4,000
Expenditures:			
Juvenile Behavioral Health Services	42	115	118
Lapsed Balances	$ 1,458	$ 1,385	$ 3,882
Budget Stabilization Fund - 0686			
Appropriations (net after transfers)	$ 18,000	$ -	$ -
Expenditures:			
Operational Lump Sum	18,000	-	-
Lapsed Balances	$ -	$ -	$ -
Medical Interagency Program Fund - 0720			
Appropriations (net after transfers)	$ 70,000	$ 70,000	$ 70,000
Expenditures:			
Medical Assistance	39,497	42,620	59,427
Lapsed Balances	$ 30,503	$ 27,380	$ 10,573
Drug Rebate Fund - 0728			
Appropriations (net after transfers)	$ 1,440,000	$ 700,000	$ 700,000
Expenditures:			
Prescribed Drugs	1,440,000	556,941	700,000
Lapsed Balances	$ -	$ 143,059	$ -
Tobacco Settlement Recovery Fund - 0733			
Appropriations (net after transfers)	$ 200,600	$ 200,600	$ 200,600
Expenditures:			
Prescribed Drugs	109,331	200,056	200,600
Lapsed Balances	$ 91,269	$ 544	$ -

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015
(Expressed in Thousands)

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0524 P.A. 100-0021 Court-ordered Expenditures	P.A. 99-0409 P.A. 99-0524 Court-ordered Expenditures	P.A. 98-0642 P.A. 98-0680 P.A. 99-0001
Medicaid Buy-in Program Revolving Fund - 0740			
Appropriations (net after transfers)	$ 600	$ 550	$ 550
Expenditures:			
Medical Assistance	575	448	377
Lapsed Balances	$ 25	$ 102	$ 173
Child Support Administrative Fund - 0757			
Appropriations (net after transfers)	$ 190,441	$ 191,284	$ 227,417
Expenditures:			
Personal Services	53,567	56,085	59,201
Employee Retirement Contribution Paid by Employer	20	19	20
State Contribution to State Employees' Retirement System	23,877	25,602	25,098
Social Security	3,913	4,097	4,329
Group Insurance	17,017	17,911	16,571
Contractual Services	36,236	41,752	45,589
Travel	86	54	182
Commodities	28	19	28
Printing	121	138	161
Equipment	2	3	189
Telecommunications Services	1,165	1,402	1,652
Child Support Enforcement Demonstration Projects	304	319	318
Enhanced Collection Efforts & Paternity Adjudication Demo	6,647	6,848	6,693
State Disbursement Unit Costs	7,920	7,967	11,029
Total Expenditures	150,903	162,216	171,060
Lapsed Balances	$ 39,538	$ 29,068	$ 56,357
Healthcare Provider Relief Fund - 0793			
Appropriations (net after transfers)	$ 6,206,362	$ 5,553,362	$ 4,553,362
Expenditures:			
Medical Assistance Providers	4,652,929	4,660,683	3,991,642
Med Level-Med Data Warehouse	-	-	3,038
Med Level-Med Management Services	-	-	779
Med Level-EDP Med Eligibility Verification System	-	-	7
Operational Lump Sum	31,934	25,561	27,384
Total Expenditures	4,684,863	4,686,244	4,022,850
Lapsed Balances	$ 1,521,499	$ 867,118	$ 530,512

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015
(Expressed in Thousands)

Schedule 3

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0524 P.A. 100-0021 Court-ordered Expenditures	P.A. 99-0409 P.A. 99-0524 Court-ordered Expenditures	P.A. 98-0642 P.A. 98-0680 P.A. 99-0001
Medical Special Purposes Trust Fund - 0808			
Appropriations (net after transfers)	$ 70,000	$ 65,500	$ 90,500
Expenditures:			
Medical Demonstration Projects	1,842	1,549	2,558
Eligible Verify and Enroll System	91	581	33,863
Total Expenditures	1,933	2,130	36,421
Lapsed Balances	$ 68,067	$ 63,370	$ 54,079
TOTAL - ALL APPROPRIATED FUNDS			
Appropriations	$ 15,190,459	$ 13,860,585	$ 20,412,904
Total Expenditures	18,214,754	17,364,673	17,388,160
Lapsed Balances	$ 2,922,235	$ 2,585,923	$ 3,024,744
NON-APPROPRIATED FUNDS			
Public Aid Recoveries Trust Fund - 0421			
Payment to Local Government for Service to Recipients	$ 23,514	$ 27,081	$ 23,323
Federal Share Due To General Revenue Fund	346,865	395,783	354,215
Refund of TPL Recoveries	31	113	380
Refund of Non-TPL Recoveries	918	174	40,013
Early Intervention - Due DHS	85	30	72
Core Medicaid Administration Expenses - UIC	2,258	2,121	1,834
Total Expenditures	$ 373,671	$ 425,302	$ 419,837
Child Support Enforcement Trust Fund - 0957			
Redirect - Illinois TANF Excess Child Support Clients	$ 2,320	$ 2,647	$ 2,473
Redirect - Out-of-State TANF Clients	7,424	7,421	7,510
Redirect - Illinois Non-TANF Clients	82,992	84,985	85,898
Redirect - Out-of-State Non-TANF Clients	46,729	46,852	47,723
Refund - IRS Offsets	1,816	2,226	2,039
Refund - IRS pre N/A	7	15	18
Refund - State Offsets	691	991	1,136
Refund - State pre N/A	1	1	1
Refund - Courts or Third Parties	793	723	740
Refund - Courts or Third Parties N/A Out-of-State	-	-	1
Refund - IRS Offset Nonpublic Aid Clients	11	18	14
Refund - State Offset Nonpublic Aid Clients	13	11	9
Refund - Nonassistance Clients	3,219	3,386	2,888
Fund Transfer	492	519	553
Interest Penalty/State Refund	1	1	2

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015
(Expressed in Thousands)

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0524 P.A. 100-0021 Court-ordered Expenditures	P.A. 99-0409 P.A. 99-0524 Court-ordered Expenditures	P.A. 98-0642 P.A. 98-0680 P.A. 99-0001
Interest Paid to Clients, DCFS, Others	$ 4,862	$ 4,876	$ 4,890
Reimburse DCFS Title IV-E	2,972	2,978	2,830
DCSE Unclaimed Property	109	149	32
Total Expenditures	$ 154,452	$ 157,799	$ 158,757
TOTAL - ALL NON-APPROPRIATED FUNDS	$ 528,123	$ 583,101	$ 578,594
ALL FUNDS	$ 18,742,877	$ 17,947,774	$ 17,966,754

STATE OFFICERS' SALARIES

	2017	2016	2015
General Revenue Fund - 0001			
Appropriations (net after transfers)	$ 264	$ 264	$ 264
Expenditures:			
Director's salary (Note 8)	142	142	150
Assistant Director's salary (Note 8)	-	-	71
Total Expenditures	142	142	221
Lapsed Balances	$ 122	$ 122	$ 43

Note 1: Fiscal year 2017 expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of October 31, 2017, and have been reconciled to Department records.
Fiscal year 2016 expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of December 31, 2016, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Department never received enacted personal services appropriations for fund 0001, the Department was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during fiscal years 2016 and 2017.

Note 4: During the fiscal year 2016, the Department operated without enacted appropriations until Public Act 99-0409 and Public Act 99-0524 were signed into law on August 20, 2015 and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay". As such, the Department's court-ordered payroll payments were merged into the enacted appropriations for funds 0344, 0345, 0421, 0740, 0757, and 0808.

Additionally, the Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers for obligations and expenses required by consent decrees, including but not limited to payments for all services, programs, vendors, and contractors at the level paid as of June 30, 2015. As the Department never received enacted appropriations for court-ordered non-payroll payments in fund 0001, the Department was able to submit vouchers for obligations and expenses in full without a maximum appropriation limit during fiscal year 2016. The

Department's court-ordered non-payroll payments were merged into enacted appropriations for funds 0136, 0329, 0345, 0346, 0397, 0421, 0503, 0575, 0720, 0728, 0733, 0757, 0793 and 0808.

Further, the Department incurred non-payroll obligations not required by consent decrees within funds 0341, 0421, 0522, 0757, 0793, and 0808 which the Department was unable to pay until the passage of Public Act 99-0409 and Public Act 99-0524.

Note 5: In *Memisovski v. Maram* , the U.S. District Court for the Northern District of Illinois, entered its July 24, 2015 Order, which provided the State of Illinois shall make all Medicaid payments for claims properly billed on behalf of Medicaid providers serving members of the Plaintiff Class, including capitated payments to managed care entities that have enrollees in the Plaintiff Class, that would have been paid in the absence of the budget impasse on July 1, 2015, and to continue to make timely and scheduled Medicaid payments in compliance with applicable federal law, until the budget impasse is resolved. This Order granted plaintiffs' motion for enforcement of consent decree in Beeks v. Bradley.

Note 6: Public Act 99-0524 authorizes the Department to pay fiscal year 2016 costs using its fiscal year 2017 appropriations for non-payroll expenditures. The Department did not use its fiscal year 2017 appropriations for non-payroll expenditures, except those prescribed by Section 25 of the State Finance Act for medical assistance as is the normal course of business.

Note 7: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Department to pay for all costs incurred prior to July 1, 2018, using either its fiscal year 2017 or fiscal year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices from fiscal year 2016 and fiscal year 2017 held by the Department to be submitted against either its fiscal year 2017 or fiscal year 2018 appropriation.

Note 8: State Officers' salaries are paid from the appropriation for the Office of the Comptroller.

Schedule 4

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
LOCALLY HELD FUNDS
CASH BASIS SCHEDULE
For the Fiscal Years Ended June 30, 2017 and 2016
(Expressed in Thousands)

	2017	2016
Medical Assistance Dental Reimbursement Revolving Fund		
Beginning balance	$ 9,645	$ 10,686
Receipts (including cash on hand and in-transit)	83,766	114,311
Disbursements	(86,621)	(115,352)
Ending balance	$ 6,790	$ 9,645
Public Assistance Emergency Revolving Fund		
Beginning balance	$ 243	$ 327
Receipts (including cash on hand and in-transit)	761	516
Disbursements	(676)	(600)
Ending balance	$ 328	$ 243

Schedule 5

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Fiscal Years Ended June 30, 2017 and 2016
(Expressed in Thousands)

	Fiscal Year 2017	Fiscal Year 2016
Beginning Balance, July 1	$ 13,134	$ 14,371
Additions	182	138
Deletions	(357)	(139)
Net Transfers	(756)	(1,236)
Ending Balance, June 30	$ 12,203	$ 13,134

Note: This schedule was prepared from the Agency Report of State Property Quarterly Reports and reconciled to the Department's records. The Department's property consists of equipment only.

The summary schedule was prepared using State property records required by the Illinois Administrative Code (Code). The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

STATE OF ILLINOIS

Schedule 6

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS

AND RECONCILIATION OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE COMPTROLLER

For the Fiscal Years Ended June 30, 2017, 2016, and 2015

(Expressed in Thousands)

	2017	2016	2015
General Revenue Fund - 0001			
Federal government	$ 2,288,474	$ 2,512,281	$ 3,162,866
Federal reimbursable portion due from the			
Public Aid Recoveries Trust Fund	-	-	17,548
Investment income	-	3	1
Local Illinois governmental units	243,700	243,700	243,700
Recipient collections	31,617	28,462	23,598
Settlement proceeds	-	-	12,000
Fund transfers	-	-	214
Miscellaneous	26	14	-
Total cash receipts per Department	2,563,817	2,784,460	3,459,927
Less - in transit at end of year	(854)	(716)	(941)
Plus - in transit at beginning of year	716	941	503
Plus - prior year refunds/warrant voids on Comptroller's report	54	113	53
Total cash receipts per State Comptroller's records	$ 2,563,733	$ 2,784,798	$ 3,459,542
Home Services Medicaid Trust Fund - 0120			
Federal government	$ 245,140	$ 245,493	$ 245,743
Total cash receipts per Department	245,140	245,493	245,743
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 245,140	$ 245,493	$ 245,743
University of Illinois Hospital Services Fund - 0136			
Federal government	$ 74,310	$ 88,970	$ 140,541
Other Illinois State agencies	22,806	18,255	64,093
Total cash receipts per Department	97,116	107,225	204,634
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 97,116	$ 107,225	$ 204,634
Community Developmental Disability Services Medicaid Trust Fund - 0142			
Federal government	$ 72,424	$ 46,513	$ 38,604
Total cash receipts per Department	72,424	46,513	38,604
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 72,424	$ 46,513	$ 38,604

Schedule 6

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 Fiscal Years Ended June 30, 2017, 2016, and 2015
(Expressed in Thousands)

	2017	2016	2015
DHS Technology Initiative Fund - 0211			
Federal government	$ 5,717	$ 4,293	$ 492
Total cash receipts per Department	5,717	4,293	492
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 5,717	$ 4,293	$ 492
DCFS Children's Services Fund - 0220			
Federal government	$ 8,971	$ 9,978	$ 14,090
Total cash receipts per Department	8,971	9,978	14,090
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 8,971	$ 9,978	$ 14,090
Illinois Veterans Assistance Fund - 0236			
Insurance premiums	$ 14	$ 42	$ 58
Total cash receipts per Department	14	42	58
Less - in transit at end of year	-	-	(2)
Plus - in transit at beginning of year	-	2	3
Total cash receipts per State Comptroller's records	$ 14	$ 44	$ 59
Long-Term Care Monitor/Receiver Fund - 0285			
Federal government	$ 10,231	$ 17,961	$ 14,795
Total cash receipts per Department	10,231	17,961	14,795
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 10,231	$ 17,961	$ 14,795
County Provider Trust Fund - 0329			
Federal government	$ 1,336,281	$ 1,388,344	$ 1,470,942
Provider participation fees	710,395	701,538	692,886
Total cash receipts per Department	2,046,676	2,089,882	2,163,828
Less - in transit at end of year	-	(94)	-
Plus - in transit at beginning of year	94	-	-
Total cash receipts per State Comptroller's records	$ 2,046,770	$ 2,089,788	$ 2,163,828

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 Fiscal Years Ended June 30, 2017, 2016, and 2015
(Expressed in Thousands)

Schedule 6

	2017	2016	2015
Provider Inquiry Trust Fund - 0341			
User fees/private organizations or individuals	$ 1,144	$ 1,674	$ 1,278
Total cash receipts per Department	1,144	1,674	1,278
Less - in transit at end of year	(39)	-	(5)
Plus - in transit at beginning of year	-	5	201
Total cash receipts per State Comptroller's records	$ 1,105	$ 1,679	$ 1,474
Care Provider For Persons with Developmental Disabilities Fund - 0344			
Federal government	$ 17,481	$ 15,565	$ 10,239
Provider taxes	16,720	17,542	17,782
Total cash receipts per Department	34,201	33,107	28,021
Less - in transit at end of year	(1)	(19)	(1,135)
Plus - in transit at beginning of year	19	1,135	753
Total cash receipts per State Comptroller's records	$ 34,219	$ 34,223	$ 27,639
Long-Term Care Provider Fund - 0345			
Federal government	$ 212,583	$ 168,986	$ 217,618
Provider taxes	147,273	172,094	184,639
Federal monies via other State agencies	106	121	127
Total cash receipts per Department	359,962	341,201	402,384
Less - in transit at end of year	(500)	(328)	(4,079)
Plus - in transit at beginning of year	328	4,079	4,148
Total cash receipts per State Comptroller's records	$ 359,790	$ 344,952	$ 402,453
Hospital Provider Fund - 0346			
Federal government	$ 2,059,287	$ 1,503,850	$ 1,498,241
Provider taxes	1,363,046	1,181,377	1,209,005
Total cash receipts per Department	3,422,333	2,685,227	2,707,246
Less - in transit at end of year	(37)	(504)	(3,250)
Plus - in transit at beginning of year	504	3,250	33
Total cash receipts per State Comptroller's records	$ 3,422,800	$ 2,687,973	$ 2,704,029
Special Education Medicaid Matching Fund - 0355			
Federal government	$ 161,690	$ 161,486	$ 169,286
Total cash receipts per Department	161,690	161,486	169,286
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 161,690	$ 161,486	$ 169,286

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 Fiscal Years Ended June 30, 2017, 2016, and 2015
(Expressed in Thousands)

	2017	2016	2015
Lead Poisoning & Screening Fund - 0360			
Federal government	$ 2,361	$ -	$ -
Total cash receipts per Department	2,361	-	-
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 2,361	$ -	$ -
HHS Medicaid Trust Fund - 0365			
Federal government	$ 6,708	$ 7,757	$ 8,318
Total cash receipts per Department	6,708	7,757	8,318
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 6,708	$ 7,757	$ 8,318
Trauma Center Fund - 0397			
Federal government	$ 4,376	$ 4,590	$ 5,158
Total cash receipts per Department	4,376	4,590	5,158
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 4,376	$ 4,590	$ 5,158
Protest Fund - 0401			
Health care provider tax	$ -	$ -	$ 168
Total cash receipts per Department	-	-	168
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ -	$ -	$ 168
Public Aid Recoveries Trust Fund - 0421			
Federal government	$ 96,512	$ 61,484	$ 121,066
Recipient collections	26,241	26,327	27,544
Fund transfers	492	5,068	5,046
Private organizations or individuals	1,149,574	912,733	681,033
Total cash receipts per Department	1,272,819	1,005,612	834,689
Less - in transit at end of year	(47,367)	(16,547)	(41,949)
Plus - in transit at beginning of year	16,547	41,949	37,124
Plus - prior year refunds/warrant voids on Comptroller's report	1	2	-
Total cash receipts per State Comptroller's records	$ 1,242,000	$ 1,031,016	$ 829,864

STATE OF ILLINOIS

Schedule 6

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS

AND RECONCILIATION OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE COMPTROLLER

For the Fiscal Years Ended June 30, 2017, 2016, and 2015

(Expressed in Thousands)

	2017	2016	2015
Early Intervention Services Revolving Fund - 0502			
Federal government	$ 47,769	$ 47,231	$ 54,117
Total cash receipts per Department	47,769	47,231	54,117
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 47,769	$ 47,231	$ 54,117
Electronic Health Record Incentive Fund - 0503			
Federal government	$ 43,116	$ 41,042	$ 71,206
Total cash receipts per Department	43,116	41,042	71,206
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Plus - prior year refunds/warrant voids on Comptroller's report	-	591	46
Total cash receipts per State Comptroller's records	$ 43,116	$ 41,633	$ 71,252
Money Follows the Person Budget Transfer Fund - 0522			
Federal government	$ 3,284	$ 1,829	$ 4,520
Other Illinois State agencies	340	-	750
Total cash receipts per Department	3,624	1,829	5,270
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Plus - prior year refunds/warrant voids on Comptroller's report	-	8	-
Total cash receipts per State Comptroller's records	$ 3,624	$ 1,837	$ 5,270
Department of Corrections Reimbursement and Education Fund - 0523			
Federal government	$ 7,111	$ 1,154	$ 113
Total cash receipts per Department	7,111	1,154	113
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 7,111	$ 1,154	$ 113
Juvenile Rehabilitation Services Medicaid Matching Fund - 0575			
Federal government	$ 38	$ 127	$ 130
Total cash receipts per Department	38	127	130
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 38	$ 127	$ 130

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 Fiscal Years Ended June 30, 2017, 2016, and 2015
(Expressed in Thousands)

Schedule 6

	2017	2016	2015
Healthy Smiles Fund - 0654			
Federal government	$ 234	$ 176	$ 142
Total cash receipts per Department	234	176	142
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 234	$ 176	$ 142
Community Mental Health Medicaid Trust Fund - 0718			
Federal government	$ 56,028	$ 63,775	$ 86,689
Total cash receipts per Department	56,028	63,775	86,689
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 56,028	$ 63,775	$ 86,689
Medical Interagency Program Fund - 0720			
Federal government	$ 12,860	$ 24,841	$ 23,987
Other Illinois State agencies	7,161	10,690	20,364
Expenditure transfer	73	-	-
Reimbursements	3,222	-	1,488
Total cash receipts per Department	23,316	35,531	45,839
Less - in transit at end of year (fiscal year 2015 restated)	-	-	(1,947)
Plus - in transit at beginning of year (fiscal year 2015 restated)	-	1,947	-
Plus - prior year refunds/warrant voids on Comptroller's report	-	-	1
Total cash receipts per State Comptroller's records	$ 23,316	$ 37,478	$ 43,893
Drug Rebate Fund - 0728			
Federal reimbursable portion due from the Public Aid Recoveries Trust Fund	$ 423,425	$ 385,981	$ 317,814
Total cash receipts per Department	423,425	385,981	317,814
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Plus - prior year refunds/warrant voids on Comptroller's report	-	499	-
Total cash receipts per State Comptroller's records	$ 423,425	$ 386,480	$ 317,814
Tobacco Settlement Recovery Fund - 0733			
Federal government	$ 142,700	$ 15,708	$ 104,622
Total cash receipts per Department	142,700	15,708	104,622
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Total cash receipts per State Comptroller's records	$ 142,700	$ 15,708	$ 104,622

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 Fiscal Years Ended June 30, 2017, 2016, and 2015
(Expressed in Thousands)

	2017	2016	2015
Medicaid Buy-In Program Revolving Fund - 0740			
Recipient collections	$ 660	$ 676	$ 677
Total cash receipts per Department	660	676	677
Less - in transit at end of year	(10)	(4)	(28)
Plus - in transit at beginning of year	4	28	31
Total cash receipts per State Comptroller's records	$ 654	$ 700	$ 680
Child Support Administrative Fund - 0757			
Federal government	$ 112,734	$ 86,509	$ 101,547
Fund transfers	43,000	2,865	26,400
Repayment to State pursuant to law	19	25	32
Total cash receipts per Department	155,753	89,399	127,979
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Plus - due from General Revenue Fund	-	-	925
Plus - prior year refunds/warrant voids on Comptroller's report	6	1	2
Total cash receipts per State Comptroller's records	$ 155,759	$ 89,400	$ 128,906
Healthcare Provider Relief Fund - 0793			
Federal government	$ 3,649,261	$ 4,938,968	$ 3,063,050
Other Illinois State agencies	-	28,335	25,253
Fund transfers	-	57,097	679,121
Total cash receipts per Department	3,649,261	5,024,400	3,767,424
Less - in transit at end of year	(3,971)	(13,425)	(164)
Plus - in transit at beginning of year	13,425	164	-
Plus - prior year refunds/warrant voids on Comptroller's report	161	6,358	255
Total cash receipts per State Comptroller's records	$ 3,658,876	$ 5,017,497	$ 3,767,515
Medical Special Purposes Trust Fund - 0808			
Federal government	$ 495	$ 1,431	$ 38,314
Enhanced Federal Finance Part - ARRA	2,314	451	1,464
Contracts and grants - private organizations	100	50	50
Other Illinois State agencies	-	-	7,450
Fund transfers	-	-	500
Total cash receipts per Department	2,909	1,932	47,778
Less - in transit at end of year	-	-	-
Plus - in transit at beginning of year	-	-	-
Plus - prior year refunds/warrant voids on Comptroller's report	-	1	3
Total cash receipts per State Comptroller's records	$ 2,909	$ 1,933	$ 47,781

STATE OF ILLINOIS

Schedule 6

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS

AND RECONCILIATION OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE COMPTROLLER

For the Fiscal Years Ended June 30, 2017, 2016, and 2015

(Expressed in Thousands)

	2017	2016	2015
Child Support Enforcement Trust Fund - 0957			
Child support collections	$ 174,085	$ 179,569	$ 182,267
Repayment to State pursuant to law	8,220	7,436	6,961
Total cash receipts per Department	182,305	187,005	189,228
Less - in transit at end of year	(1,062)	(1,387)	(739)
Plus - in transit at beginning of year	1,387	739	645
Plus - prior year refunds/warrant voids on Comptroller's report	170	1,220	1,030
Total cash receipts per State Comptroller's records	$ 182,800	$ 187,577	$ 190,164
GRAND TOTAL - ALL FUNDS	$ 15,053,949	$ 15,442,467	$ 15,117,747
Less - in transit at end of year (fiscal year 2015 restated	(53,841)	(33,024)	(54,239)
Plus - in transit at beginning of year (fiscal year 2015 restated)	33,024	54,239	43,441
Plus - due from General Revenue Fund	-	-	925
Plus - prior year refunds/warrant voids on Comptroller's report	392	8,793	1,390
Total cash receipts per State Comptroller's Records - All Funds	$ 15,033,524	$ 15,472,475	$ 15,109,264

Fund 0720 restatement note: Fiscal year 2015 beginning balance was overstated by $20,164 and ending in-transit balance was overstated by $20,164 due to fiscal year 2014 overstatement of reimbursements and of ending in-transits.

DEPARTMENT FUNCTIONS AND PLANNING PROGRAM

For the Two Years Ended June 30, 2017
(Unaudited)

The Illinois Department of Healthcare and Family Services (Department) is responsible for providing health care coverage for adults, children, seniors and the disabled; and helping to ensure that Illinois children receive financial support from both parents by establishing and enforcing child support obligations; and effective management of healthcare purchasing.

The Department is organized into two major program areas: Division of Medical Programs and Division of Child Support Services (DCSS). The Department has two additional areas: the Office of Inspector General (OIG) and the Office of Planning. The OIG is maintained within the Department, but functions as a separate, independent entity reporting directly to the Governor's Office. The Office of Planning manages the Department’s overall strategic planning, performance measurement, process improvement efforts, and provides project management assistance to other divisions within the Department.

Division of Medical Programs

The Division of Medical Programs is responsible for administering the Medical Assistance Programs under the Illinois Public Aid Code, the Children’s Health Insurance Program Act, the Covering All Kids Health Insurance Act, the Veteran’s Health Insurance Program Act, and other provisions of State law, and Titles XIX and XXI of the federal Social Security Act.

The Division’s main objectives are:

Managed Care Migration to Managed Care Transformation

- Migrate 50% of Medicaid beneficiaries to Risk-Based Care Coordination
- Reduce the number of Care Coordination Entities
- Achieve Full Risk Managed Care for 80% of Medicaid beneficiaries by 2019
- Enhance Primary Care Case Management Program in non-mandatory managed care regions to improve quality and outcomes
- Implement Medicaid Managed Long Term Services and Supports Program (MLTSS)

Behavioral Health Transformation

- Develop comprehensive strategy for Behavioral Health
- Implement Illinois Medicaid Child and Adolescent Needs and Strengths (IM-CANS) standardized assessment tool for Medicaid-eligible children with behavioral health needs
- Redesign the state’s Screening, Assessment and Support Services (SASS) program to better support children and families in the community while reducing overreliance on costly, psychiatric hospitalization
- Increase interagency collaboration between key traditional and non-traditional behavioral health service agencies to streamline service delivery, reduce duplication, improve outcomes and maximize Medicaid funding

- Invest in community-based mental health infrastructure

Systems Modernization

- Integrated Eligibility System
- Pharmacy Benefits Management System
- Medicaid Management Information System

Division of Child Support Services

The DCSS establishes legal parentage and establishes and enforces child support payment obligations for children. DCSS enforces child support payment obligations for all custodial parents, regardless of whether the custodial parent receives other assistance. DCSS collects and disburses child support payments made via income withholding, whether or not the custodial parent also receives enforcement services.

The Division's main objective is:

Child Support Modernization

- Expanding Self Service Options for Child Support Customers
- Progressing toward a Paperless Child Support Program
- Child Support Transition to Income Shares
- Balancing Statewide Child Support Performance
- Improving Efficiency in Child Support Business Processes

Office of Inspector General

The Inspector General is appointed by, and reports to, the Governor and is confirmed by the Senate. The mission of the OIG is to prevent, detect and eliminate fraud, waste, abuse, misconduct and mismanagement in the programs administered by the Department. The OIG also conducts investigations for the Illinois Department of Human Services and the Department of Aging.

Planning

The Office of Planning is responsible for developing and monitoring the Department strategic plan and assists program and support areas within the Department in developing their individual strategic initiatives. The Strategic Planning Unit also manages the Department's performance reporting responsibilities, including the annual Public Accountability Report, and the Quarterly Management Report to the Governor's Office of Management and Budget. Upper management holds an annual strategic planning retreat to develop goals and objectives for each program area with short term (one-year) and long-term (three-year) timeframes. The Executive Management Team has a weekly meeting which includes the Director, Chief of Staff, Medicaid Administrator and Division Administrators, Child Support Administrator, and the respective heads of Legal, Finance, Human Resources, IT, Communications and Governmental Affairs. Division Administrators and Bureau Chiefs monitor daily operations and communicate as needed with the Director, depending on the priority of the respective operational matter. Additionally, the Department utilizes a monthly status reporting process whereby each strategic initiative's owner submits a project update to the Executive Project Steering Committee (EPSC). These updates use a color-coded scorecard system to report progress toward goals and identify any risks or issues which may require executive attention.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015
(Unaudited)

The following is a summary of explanations for significant fluctuations in expenditures incurred by the Department for fiscal year ended June 30, 2015 as compared to the fiscal year ended June 30, 2016 and for fiscal year ended June 30, 2016 as compared to fiscal year ended June 30, 2017. Explanations were prepared by Department management and are presented for additional analysis purposes only. Included are explanations for variances to the General Funds (Major Fund) greater than $1 million and 20%, and explanations for variances to Non-Major Governmental 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, 2015, 2016 and 2017 are presented in the "Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances" of this report.

BETWEEN FISCAL YEARS 2015 AND 2016

General Revenue Fund – 0001

Contractual Services, Deposit into Child Support Administrative Fund, Deposit into Healthcare Provider Relief Fund and Deposit into Public Aid Recoveries Trust Fund

The decrease in fiscal year 2016 expenditures was the result of no appropriation in fiscal year 2016.

University of Illinois Hospital Services Fund – 0136

U of I Hospital Services

The decrease in fiscal year 2016 expenditures was the result of fewer claims after the transition from fee-for-service to a managed care capitation.

County Provider Trust Fund – 0329

Administrative Expenses

The decrease in fiscal year 2016 expenditures was the result of no appropriation in fiscal year 2016. The only payments made were payroll pursuant to a court order.

Provider Inquiry Trust Fund – 0341

Provider Inquiry Services

The decrease in fiscal year 2016 expenditures was the result of no appropriation in fiscal year 2016. Additionally, in fiscal year 2015 $1.3 million was transferred out of the fund leaving a lower fund balance to carry into fiscal year 2016.

Hospital Provider Fund – 0346

Managed Care Entities and HMOs, Managed Care Entities and Coordinated Care Entities

The decrease in fiscal year 2016 expenditures was the result of a revision to the appropriation language to include assessment payments to be made in the form of capitations to managed care entities from the Hospitals appropriation line; therefore, appropriations were no longer needed for managed care entities and HMOs and coordinated care entities.

Hospitals

The increase in fiscal year 2016 expenditures was the result of a revision to the appropriation language to include assessment payments to be made in the form of capitations to managed care entities from the Hospitals appropriation line instead of managed care entities and HMOs and coordinated care entities.

Electronic Health Record Incentive Fund – 0503

Certified Electronic Health Record Technology

The decrease in fiscal year 2016 expenditures was the result of fewer provider attestations. Additionally, payment delays from fiscal year 2016 were paid in fiscal year 2017.

Medical Interagency Program Fund – 0720

Medical Assistance

The decrease in fiscal year 2016 expenditures was the result of fewer claims after the transition from fee-for-service to a managed care capitation.

Drug Rebate Fund – 0728

Prescribed Drugs

The decrease in fiscal year 2016 expenditures was the result of fewer claims after the transition from fee-for-service to a managed care capitation.

Child Support Administrative Fund – 0757

State Disbursement Unit Costs

The decrease in fiscal year 2016 expenditures was the result of a renegotiation of the contract.

Healthcare Provider Relief Fund – 0793

Med Level-Med Data Warehouse

The decrease in fiscal year 2016 expenditures was the result of no appropriation in fiscal year 2016.

Medical Special Purposes Trust Fund – 0808

Medical Demonstration Projects

The decrease in fiscal year 2016 expenditures was the result of no appropriation authority until June 30, 2016. All expenditures were made during the lapse period.

Eligibility Verify and Enroll System

The decrease in fiscal year 2016 expenditures was the result of contracts being moved from the Medical Special Purposes Trust Fund (Fund 0808) to the Healthcare Provider Relief Fund (Fund 0793).

NON-APPROPRIATED FUNDS

Public Aid Recoveries Trust Fund – 0421

Refund of Non-TPL Recoveries

The decrease in fiscal year 2016 expenditures was the result of one-time refund of an overpayment in fiscal year 2015 for Cook County's share of the County Care costs.

BETWEEN FISCAL YEARS 2016 AND 2017

General Revenue Fund – 0001

Deposit into Child Support Administrative Fund

The increase in fiscal year 2017 expenditures was the result of no appropriation in fiscal year 2016.

Long-Term Care Provider Fund – 0345

Long-Term Care Provider Services

Expenditures are paid from three funds: Fund 0001, Fund 0345 and Fund 0793, depending on availability of resources. The increase in fiscal year 2017 expenditures was the result of fluctuations in resources between these funds.

Money Follows the Person Budget Transfer Fund – 0522

Money Follows the Person Demonstration Project

The decrease in fiscal year 2017 expenditures was the result a reduction of contracts from six to two.

Budget Stabilization Fund – 0686

Operational Lump Sum

The increase in fiscal year 2017 expenditures was the result of a one-time appropriation for fiscal year 2017 due to the budget impasse.

Drug Rebate Fund – 0728

Prescribed Drugs

The increase in fiscal year 2017 expenditures was the result of an increase in the appropriation for revised language to allow payments to be made to managed are entities.

Tobacco Settlement Recovery Fund – 0733

Prescribed Drugs

The decrease in fiscal year 2017 expenditures was the result of less settlement revenues.

Healthcare Provider Relief Fund – 0793

Operational Lump Sum

The increase in fiscal year 2017 expenditures was the result of contracts being moved from Medical Special Purposes Trust Fund (Fund 0808) to the Healthcare Provider Relief Fund (Fund 0793).

NON-APPROPRIATED FUNDS

Child Support Enforcement Trust Fund – 0957

Refund – State Offsets

The decrease in fiscal year 2017 expenditures was due to a reduction of State tax offset collections exceeding amounts owed, resulting in less money refunded.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2017, 2016 and 2015
(Unaudited)

The following is a summary of explanations for significant fluctuations in receipts received by the Department for the fiscal year ended June 30, 2016 as compared to the fiscal year ended June 30, 2015 and for the fiscal year ended June 30, 2017 as compared to the fiscal year ended June 30, 2016. Included are explanations for variances to the General Funds (Major Fund) greater than $21.3 million and 20% and explanations to the Non-Major Governmental Funds and Fiduciary Funds greater than $900 thousand and 20%. Dollar amounts are expressed 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."

BETWEEN FISCAL YEARS 2016 AND 2015

GENERAL FUNDS

General Revenue Fund – 0001

Federal Government

The decrease in fiscal year 2016 receipts was the result of a decrease in expenditures with federal funding, resulting in less federal reimbursement.

University of Illinois Hospital Services Fund – 0136

Federal Government

The decrease in fiscal year 2016 receipts was the result of a decrease in expenditures with federal funding, resulting in less federal reimbursement.

Other Illinois State Agencies

The decrease in fiscal year 2016 receipts was the result of the budget impasse. The University of Illinois did not receive an appropriation in fiscal year 2016 to pay the Department for an amount owed under an intergovernmental agreement.

Long-Term Care Provider Fund – 0345

Federal Government

The decrease in fiscal year 2016 receipts was the result of a decrease in expenditures with federal funding, resulting in less federal reimbursement.

Public Aid Recoveries Trust Fund – 0421

Federal Government

The decrease in fiscal year 2016 receipts was the result of a decrease in expenditures with federal funding, resulting in less federal reimbursement.

Private Organizations or Individuals

The increase in fiscal year 2016 receipts was due to an increase in drug rebate collections.

Electronic Health Record Incentive Fund – 0503

Federal Government

The decrease in fiscal year 2016 receipts was the result of stricter program requirements causing fewer providers to participate in the federal program during fiscal year 2016. Additionally, there were reduced incentive payments to eligible hospitals and medical professionals.

Drug Rebate Fund – 0728

Federal Reimbursable Portion Due from the Public Aid Recoveries Trust Fund

The increase in fiscal year 2016 receipts was due to an increase in drug rebate collections.

Healthcare Provider Relief Fund – 0793

Federal Government

The increase in fiscal year 2016 receipts was the result of an increase in expenditures with federal funding, increasing federal monies.

Fund Transfers

The decrease in fiscal year 2016 receipts from fund transfers was the due to no General Revenue Fund appropriation due to the budget impasse, resulting in no funds transferred in.

Medical Special Purposes Trust Fund – 0808

Federal Government

The decrease in fiscal year 2016 receipts was the result of a decrease in expenditures with federal funding, resulting in less federal reimbursement.

NON-MAJOR FUNDS

Money Follows the Person Budget Transfer Fund – 0522

Federal Government

The decrease in fiscal year 2016 receipts was the result of a decrease in expenditures with federal funding, resulting in less federal reimbursement.

Department of Corrections Reimbursement and Education Fund – 0523

Federal Government

The increase in fiscal year 2016 receipts was the result of an increase in expenditures with federal funding, increasing federal monies.

Tobacco Settlement Recovery Fund – 0733

Federal Government

The decrease in fiscal year 2016 receipts was the result of a decrease in expenditures with federal funding, resulting in less federal reimbursement.

Child Support Administrative Fund – 0757

Fund Transfers

The decrease in fiscal year 2016 receipts from fund transfers was due to no General Revenue Fund appropriation due to the budget impasse, resulting in no funds transfered in.

BETWEEN FISCAL YEARS 2017 AND 2016

GENERAL FUNDS

Long-Term Care Provider Fund – 0345

Federal Government

The increase in fiscal year 2017 receipts was the result of an increase in expenditures with federal funding, increasing federal monies.

Hospital Provider Fund – 0346

Federal Government

The increase in fiscal year 2017 receipts was the result of an increase in expenditures with federal funding, increasing federal monies, and as a result of 100% federal financial participation rates for a share of the hospital assessment payments.

Public Aid Recoveries Trust Fund – 0421

Federal Government

The increase in fiscal year 2017 receipts was the result of an increase in expenditures with federal funding, increasing federal monies.

Private Organizations or Individuals

The increase in fiscal year 2016 receipts was due to an increase in drug rebate collections.

Healthcare Provider Relief Fund – 0793

Federal Government

The decrease in fiscal year 2017 receipts was the result of a decrease in expenditures with federal funding, resulting in less federal reimbursement.

Other Illinois State Agencies and Fund Transfers

The decrease in fiscal year 2017 receipts from other Illinois agencies and fund transfers was the result of no General Revenue Fund appropriation due to the budget impasse, resulting in no funds received from other agencies or transfers in.

Money Follows the Person Budget Transfer Fund – 0522

Federal Government

The increase in fiscal year 2017 receipts was the result of an increase in expenditures with federal funding, increasing federal monies.

Department of Corrections Reimbursement and Education Fund – 0523

Federal Government

The increase in fiscal year 2017 receipts was the result of an increase in expenditures with federal funding, increasing federal monies.

Tobacco Settlement Recovery Fund – 0733

Federal Government

The increase in fiscal year 2017 receipts was the result of an increase in expenditures with federal funding, resulting in more federal reimbursement.

Child Support Administrative Fund – 0757

Federal Government

The increase in fiscal year 2017 receipts was the result of an increase in expenditures with federal funding, increasing federal monies.

Fund Transfers

The increase in fiscal year 2017 receipts was the result of an increased fund transfer from the General Revenue Fund.

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Fiscal Years Ended June 30, 2017 and 2016
(Unaudited)

The following is a summary of explanations for significant lapse period expenditures incurred by the Department for fiscal years 2016 and 2017 and are presented for additional analysis purposes only. Included are lapse period expenditures for the General Funds (Major Fund) that are greater than $1 million and 20% of the total fiscal year expenditures by fund and line item, as detailed below, and lapse period expenditures for Non-Major Governmental Funds and Fiduciary Funds that are greater than $300 thousand and 20% of the total fiscal year expenditures by fund and line item, as detailed below. Dollar amounts are in thousands unless otherwise stated. The Department's overall lapse period spending for fiscal year 2016 and fiscal year 2017 is presented in the "Schedule of Appropriations, Expenditures, and Lapsed Balances" of this report.

FISCAL YEAR 2016

Provider Inquiry Trust Fund - 0341

The significant lapse period spending was due to P.A. 99-0524, signed into law June 30, 2016 authorizing appropriations. All non-consent decree expenditures occurred after the appropriation bill was enacted.

Special Education Medicaid Matching Fund – 0355

The significant lapse period spending was due to administrative expenses incurred prior to June 30 being paid following the end of the quarter. The Department of Federal Finance submits claims to federal CMS at the end of July, and the Department draws and pays in early August.

Trauma Center Fund – 0397

The significant lapse period spending was due to these services being paid on a quarterly basis, and the expenses incurred through June 30 were paid in lapse.

Public Aid Recoveries Trust Fund – 0421

Contractual Services, Equipment, Telecommunication Services and Technical Infrastructure/Medical Data Warehouse

The significant lapse period spending was due to P.A. 99-0524, signed into law June 30, 2016 authorizing appropriations. All non-consent decree expenditures occurred after the appropriation bill was enacted.

Money Follows the Person Budget Transfer Fund – 0522

The significant lapse period spending was due to P.A. 99-0524, signed into law June 30, 2016 authorizing appropriations. All non-consent decree expenditures occurred after the appropriation bill was enacted.

Medical Interagency Program Fund – 0720

The significant lapse period spending was due to the timing of the receipt of invoices for claims and contractual services costs incurred through June 30 and the payment of those invoices.

Tobacco Settlement Recovery Fund – 0733

The significant lapse period spending was due to tobacco revenue received late in the fiscal year, delaying expenditures within the fund.

Child Support Administrative Fund – 0757

Contractual Services, Telecommunication Services, Child Support Enforcement Demonstration Projects and Enhanced Collection Efforts & Paternity Adjudication Demo

The significant lapse period spending was due to P.A. 99-0524, signed into law June 30, 2016 authorizing appropriations. All non-consent decree expenditures occurred after the appropriation bill was enacted.

Healthcare Provider Relief Fund – 0793

Operational Lump Sum

The significant lapse period spending was due to P.A. 99-0524, signed into law June 30, 2016 authorizing appropriations. All non-consent decree expenditures occurred after the appropriation bill was enacted.

Medical Special Purposes Trust Fund – 0808

Medical Demonstration Projects

The significant lapse period spending was due to P.A. 99-0524, signed into law June 30, 2016 authorizing appropriations. All non-consent decree expenditures occurred after the appropriation bill was enacted.

FISCAL YEAR 2017

General Revenue Fund – 0001

ICG Mental Health Service

The significant lapse period spending was due to the timing of the receipt of invoices for claims incurred through June 30 and the payment of those invoices.

County Provider Trust Fund – 0329

Administrative Expenses

The significant lapse period spending was due to the timing of the receipt of invoices incurred through June 30 and the payment of those invoices. Cook County did not send the fiscal year 2017 invoice until July 21, 2017.

Special Education Medicaid Matching Fund – 0355

The significant lapse period spending was due to these services being paid on a quarterly basis and the timing of the receipt of invoices for claims incurred through June 30 and the payment of those invoices.

Trauma Center Fund – 0397

The significant lapse period spending was due to these services being paid on a quarterly basis, and the expenses incurred through June 30 were paid in lapse.

Public Aid Recoveries Trust Fund – 0421

Technical Infrastructure/Medical Data Warehouse

The significant lapse period spending was due to the timing of the receipt of invoices for costs incurred through June 30 and the payment of those invoices.

Drug Rebate Fund – 0728

The significant lapse period spending was due to the Department deleting and reissuing vouchers from the General Revenue Fund (Fund 0001) to the Drug Rebate Fund (Fund 0728). Fund 0728 appropriation language was revised to allow for payment of prescribed drug claims and managed care vouchers.

Child Support Administrative Fund – 0757

Contractual Services, Telecommunication Services, Enhanced Collection Efforts & Paternity Adjudication Demo and State Disbursement Unit Costs

The significant lapse period spending was due to the timing of the receipt of invoices incurred through June 30 and the payment of those invoices.

Healthcare Provider Relief Fund – 0793

Operational Lump Sum

The significant lapse period spending was due to the timing of the receipt of invoices incurred through June 30 and the payment of those invoices.

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2017, 2016, and 2015
(Expressed in Thousands)
(Unaudited)

	2017	2016	2015
Accounts Receivable (Net)			
General Funds	$ 631,232	$ 492,986	$ 380,666
Special Revenue Funds	9,165	9,289	9,830
Fiduciary Funds	202,383	207,079	207,210
Total Accounts Receivable (Net)	$ 842,780	$ 709,354	$ 597,706
Accounts Receivable - All Funds			
At Gross	$ 6,729,775	$ 6,312,971	$ 5,873,026
Less: Allowance for Uncollectible Accounts	(5,886,995)	(5,603,617)	(5,275,320)
Total Accounts Receivable (Net)	$ 842,780	$ 709,354	$ 597,706

Aging of Gross Receivables

	2017	2016	2015
Receivables Not Past Due	$ 566,540	$ 438,679	$ 363,131
Past Due Receivables:			
1 - 30 Days	646,409	650,781	608,476
31 - 90 Days	21,135	38,455	8,476
91 - 180 Days	35,880	18,915	29,573
181 Days - 1 Year	39,158	39,042	38,768
Over 1 Year	5,420,653	5,127,099	4,824,602
Total	$ 6,729,775	$ 6,312,971	$ 5,873,026

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.

INDIRECT COST REIMBURSEMENTS
For the Two Years Ended June 30, 2017
(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 2017, the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated $82.992 million. For fiscal year 2016, the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated $62.676 million. For fiscal year 2015, the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated $75.909 million.

Illinois Department of Healthcare and Family Services

Schedule of Adjudication Patterns, Payment Patterns and Claims Paid

For SFY2016 - SFY2017 - Includes lapse period spending

(Unaudited)

SFY2016

HFS Payment Category	Claim Count	HFS Processing (PendDt - DCDDt)	Appr - Cash Management Lag (DCNDt - AdjudicatedDt)	HFS Adjud to IOC Claim Paid Dt (AdjudicatedDt - Claim Paid Dt)	Total Ave Days to Pay	Voucher Amt
Hospitals - Inpatient	278,307	7.3	11.9	47.3	66.5	$1,197,622,246
Hospitals - Outpatient	4,698,939	5.3	9.2	35.6	50.1	$516,979,042
Long Term Care	558,457	0.0	4.8	34.8	39.6	$1,407,590,571
Non Institutional Providers	9,077,665	3.6	1.5	23.3	28.4	$633,229,909
Physicians	15,275,635	4.1	7.4	8.0	19.5	$404,879,659
Prescribed Drugs	9,438,234	1.2	12.0	43.4	56.5	$572,555,360
Total	39,327,237	3.4	7.3	23.9	34.7	$4,732,856,787

DHS Payment Category	Claim Count	HFS Processing (PendDt - DCDDt)	Appr - Cash Management Lag (DCNDt - AdjudicatedDt)	HFS Adjud to IOC Claim Paid Dt (AdjudicatedDt - Claim Paid Dt)	Total Ave Days to Pay	Voucher Amt
LTC Assessment Developmentally Disabled	13,607	0.0	39.1	3.1	42.2	$28,783,076
LTC Developmentally Disabled	105,350	0.0	33.8	4.8	38.5	$272,041,933
Total	118,957	0.0	34.4	4.6	38.9	$300,825,009

SFY2017

HFS Payment Category	Claim Count	HFS Processing (PendDt - DCDDt)	Appr - Cash Management Lag (DCNDt - AdjudicatedDt)	HFS Adjud to IOC Claim Paid Dt (AdjudicatedDt - Claim Paid Dt)	Total Ave Days to Pay	Voucher Amt
Hospitals - Inpatient	259,158	12.0	16.8	118.2	147.0	$1,103,452,960
Hospitals - Outpatient	4,291,705	7.3	10.7	68.5	86.5	$439,280,545
Long Term Care	423,710	1.0	5.8	66.1	72.9	$1,089,630,123
Non Institutional Providers	7,310,729	2.8	4.0	42.5	49.3	$530,733,210
Physicians	11,739,494	3.0	6.9	8.5	18.4	$358,138,116
Prescribed Drugs	8,893,239	0.9	7.6	30.1	38.6	$555,181,599
Total	32,918,035	3.0	7.0	31.3	41.3	$4,076,416,553

DHS Payment Category	Claim Count	HFS Processing (PendDt - DCDDt)	Appr - Cash Management Lag (DCNDt - AdjudicatedDt)	HFS Adjud to IOC Claim Paid Dt (AdjudicatedDt - Claim Paid Dt)	Total Ave Days to Pay	Voucher Amt
LTC Assessment Developmentally Disabled	10,855	2.0	20.7	3.0	25.7	$28,958,247
LTC Developmentally Disabled	96,157	1.3	19.6	4.9	25.7	$258,779,702
Total	107,012	1.4	19.7	4.7	25.7	$287,737,949

This analysis presents average Medicaid adjudicated 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.

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.

BUDGET IMPASSE DISCLOSURES

For the Two Years Ended June 30, 2017

(Unaudited)

Article 74 of Public Act 99-0524 authorized the Department of Healthcare and Family Services (Department) to pay fiscal year 2016 costs using the Department's fiscal year 2017 appropriations for non-payroll expenditures. The Department did not have any outstanding invoices from fiscal year 2016 unprocessed after the closure of the fiscal year 2016 lapse period on October 31, 2016. Therefore, the Department did not use its fiscal year 2017 appropriations to pay its fiscal year 2016 costs, except those exempt from the requirements of Section 25 of the State Finance Act.

Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Department to pay for all costs incurred prior to July 1, 2018, using either its fiscal year 2017 or fiscal year 2018 appropriations for non-payroll expenditures. The following chart shows the Department's plan to expend its fiscal year 2018 appropriations to cover its fiscal year 2017 costs, except those exempt from the requirements of Section 25 of the State Finance Act:

OUTSTANDING FISCAL YEAR 2017 INVOICES

Fund #	Fund Name	Number	Dollar Value
0001	General Revenue Fund	3	$ 47,399
0341	Provider Inquiry Trust Fund	4	105,906
0421	Public Aid Recoveries Trust Fund	135	692,378
0757	Child Support Administrative Fund	42	1,507,258
0793	Healthcare Provider Relief Fund	116	3,213,533
		300	$5,566,474

The Department's fiscal year 2017 costs accounted for within the General Revenue Fund (0001), with the exception of $25,000,000 for ordinary and contingent expenses, but not including personal services, were paid pursuant to court orders and consent decrees. The Department did not have any outstanding invoices from fiscal year 2017 unprocessed after the closure of the fiscal year 2017 lapse period on October 31, 2017, except those included in the above table and those exempt from the requirements of Section 25 of the State Finance Act.

Transactions Involving the Illinois Finance Authority

The Department and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during fiscal year 2016 or fiscal year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

Vendor Payment Program (VPP)

In 2011, the State of Illinois (State) created the voluntary VPP in response to delays in payments for goods and services provided by the State's vendors arising from the State's cash flow deficit. The Department of Central Management Services (CMS) approved third party financing entities to act as "qualified purchasers" of accounts receivable from "participating vendors" who had submitted invoices which had not been paid by the State.

A participating vendor's accounts receivable is eligible for the VPP if it is from an invoice unpaid by the State that is (1) not for medical assistance payments (2) where 90 days have passed since the proper bill date, which is (3) entitled to interest under the State Prompt Payment Act (Act) (30 ILCS 540) and (4) free of any liens or encumbrances. Under the terms of an agreement between a qualified purchaser and the participating vendor, the participating vendor receives payment for 90% of the receivable balance. The participating vendor, in turn, assigns its rights to the interest due under the Act to the qualified purchaser. When the State Comptroller ultimately pays the invoice, the participating vendor receives the remaining 10% due (less any offsets).

Notably, while CMS approved the qualified purchasers and provided information to vendors about VPP, neither CMS nor the State are parties to the assignment agreements.

The following chart shows the Department of Healthcare and Family Services VPP transactions:

VPP TRANSACTIONS

	Fiscal Year Ended June 30,	
	2017	2016
Dollar Value	$3,675,492	$233,650
Vendors	5	2
Invoices	25	3

Vendor Support Initiative Program (VSI)

During fiscal year 2016, the State created the voluntary VSI as an alternative to the VPP for cases where the Department of Healthcare and Family Services lacked an enacted appropriation or other legal expenditure authority to present invoices to the State Comptroller for payment. The VSI operated similarly to the VPP, although the Department of Healthcare and Family Services was required to determine a participating vendor's invoice (1) would have met the requirements of the

VPP and (2) provided the proper bill date of invoice prior to the qualified purchaser and participating vendor entering into an agreement where the participating vendor received payment for 90% of the receivable balance. The participating vendor, in turn, assigned its rights to the interest due under the Act to the qualified purchaser. After the State Comptroller ultimately paid/pays the invoice after the Department of Healthcare and Family Services receives/received appropriations or other legal expenditure authority to pay the invoice, the participating vendor receives/received the remaining 10% due (less any offsets).

During fiscal year 2017, the Department of Healthcare and Family Services had 1 vendor participate in VSI for invoices totaling $11,022,000.00. A summary of the amount of transactions by qualified purchaser follows:

TRANSACTIONS BY QUALIFIED PURCHASER

Qualified Purchaser	Total
A	$11,022,000

INTEREST COSTS ON INVOICES
For the Two Years Ended June 30, 2017
(Unaudited)

Prompt Payment Interest Costs

The Department of Healthcare and Family Services calculated prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during fiscal year 2016 and fiscal year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Department. The following charts shows the Department of Healthcare and Family Services' prompt payment interest incurred related to fiscal year 2016 invoices and fiscal year 2017 invoices, calculated on the accrual basis of accounting, through June 30, 2016 and June 30, 2017, by fund:

PROMPT PAYMENT INTEREST INCURED
Year Ended June 30, 2016

Fund #	Fund Name	Invoices	Vendors	Dollar Value
0001	General Revenue Fund	53	13	$353,781
0345	Long-Term Care Provider Fund	1	1	42
0421	Public Aid Recoveries Trust Fund	296	82	749,982
0522	Money Follows the Person Budget Transfer Fund	4	3	9,688
0728	Drug Rebate Fund	6	1	3,184
0740	Medicaid Buy-in Program Revolving Fund	1	1	24
0757	Child Support Administrative Fund	134	78	233,785
0796	Healthcare Provider Relief Fund	250	171	1,713,231
0808	Medical Special Purposes Trust Fund	7	7	14,318
	Totals	752	357	$3,078,035

PROMPT PAYMENT INTEREST INCURED
Year Ended June 30, 2017

Fund #	Fund Name	Invoices	Vendors	Dollar Value
0001	General Revenue Fund	40	16	$837,084
0345	Long-Term Care Provider Fund	1	1	8
0421	Public Aid Recoveries Trust Fund	11	8	745
0720	Medical Interagency Program Fund	2	1	4,892
0793	Healthcare Provider Relief Fund	102	14	57,764
	Totals	156	40	$900,493

STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
AVERAGE NUMBER OF EMPLOYEES
For the Years Ended June 30, 2017, 2016 and 2015
(Unaudited)

Below is a summary of the average number of personnel employed by the Department, by fund, for the fiscal years ended June 30, 2017, 2016 and 2015.

	2017	**2016**	**2015**
General Revenue Fund			
Program Administration	198	213	225
Office of Inspector General	52	52	56
Attorney General	6	10	13
Medical	449	451	457
Managed Care	9	12	11
KidCare – Look Alike	63	78	95
Prescribed Drugs	26	29	33
Medi Rev*	2	4	5
Total General Revenue Fund	805	849	895
Other Funds			
Care Provider for Persons with DD	1	1	1
Long-Term Care Provider	5	7	7
Medical Special Purpose Trust	0	0	8
Child Support Administration	821	851	880
Public Aid Recoveries Trust	281	274	293
Total Other Funds	1,108	1,133	1,189
Grand Total – All Funds	1,913	1,982	2,084

*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, 2017, 2016 and 2015
(Unaudited)

	2017	2016	2015
Average Number of Enrollees (1)	3,162,796	3,206,198	3,227,361
Annual Expenditures (2)	$13,182,883,841	$12,309,542,249	$12,211,256,772
Expenditure per Enrollee (3)	$4,168.11	$3,839.30	$3,783.67

NOTES:

(1) Full benefit enrollment. Reflects the annual full-time equivalents (FTE) average enrollees.

(2) The 16-month total expenditure number represents HFS Medical Assistance spending only and excludes the Hospital Assessment payments, County Provider Trust Fund, University of Illinois Hospital Services Fund and other special purpose/federal pass-through funds. Medicare Premium payments were paid via Federal Aid Offset.

(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 Years Ended June 30, 2017 and 2016
(Unaudited)

The Department reported the following emergency purchase to the Office of the Auditor General during fiscal years 2017 and 2016:

Vendor / Description	**Cost / Estimate**
Fiscal year 2017	
Momentum Healthware The Department of Healthcare and Family Services (HFS) Bureau of Long Term Care (BLTC) awarded an emergency contract to Momentum Healthware to provide a software platform for delivering long-term care assessments for Medicaid clients. The State of Illinois was required to implement the new interRAI tool and related software environment quickly because of a commitment to the federal Centers for Medicaid and Medicare Services (CMS) as a condition of Illinois' Participation in the Balancing Incentive Program (BIP). Illinois made its commitments to CMS in connection with its receiving $96 million from the federal BIP and CMS has authority to reclaim those funds if Illinois fails to meet BIP requirements. Illinois received several extensions of the deadline from CMS due to problems that arose from the initial contractor.	$2,245,258
Fiscal year 2016	
None to report.	

Memorandum of Understanding

Establishes the parameters for interoperability of data between participating State health and human services programs and members of the Illinois Health and Human Services Leadership Transformation Committee.

Parties Involved Other Than the Department

Department of Human Services (DHS)
Department of Aging (DoA)
Department of Commerce and Economic Development (DCEO)
Department of Employment Security (DES)
Department of Public Health (DPH)
Department of Children and Family Services (DCFS)
Department of Corrections (DOC)
Department of Juvenile Justice (DJJ)
Department of Veterans Affairs (DVA)
Department of Central Management Services (CMS)
Department of Innovation & Technology (DoIT)
Illinois State Board of Education (ISBE)

Dates Involved

5/4/16 - present

Description of Memorandum Requirements

Establishes criteria for secure data exchange parameters between State agencies. The purpose of this agreement is to allow for secure exchange of data as permitted or required by applicable law in order to increase the efficiency and effectiveness of programs operated by participating State agencies.

Memorandum of Understanding

Establishes the parameters for collaboration on required activities performed under the United States Department of Health and Human Services (DHHS) Substance Abuse and Mental Health Services Administration (SAMHSA) Planning Grant for Certified Community Behavioral Health Clinics (CCBHC) Request for Applications. The purpose of this planning grant is to support efforts to certify clinics as certified community behavioral health clinics, establish prospective payment systems for Medicaid reimbursable services, and prepare an application to participate in a two-year demonstration program.

Parties Involved Other Than the Department

DHS Division of Alcoholism and Substance Abuse
DHS Division of Mental Health

Dates Involved

10/01/15 – 09/30/16

Description of Memorandum Requirements

Meet the requirement of the grant by assisting community agencies with certification standards. Certify community agencies and community behavioral health clinics. Verify that CCBHC's have meaningful input by consumers, persons in recovery and family members. Establish the capacity for CCBHC's to provide behavioral health services that meet the CCBHC criteria. Develop and enter into a data sharing agreement that permits the exchange of client level information between the parties for the purpose of implementing the Prospective Payment System (PPS). Develop and establish a PPS that will be used for payment of services rendered by certified community behavioral health centers should Illinois be selected to participate in the Phase 2 of the CCBHC two-year demonstration program. Pay for CCBHC services to Medicaid enrollees at the rate established under the PPS system during the demonstration program. Enhance or develop data collection and reporting capacity to meet PPS requirements, quality reporting and demonstration evaluation reporting requirements. Prepare for Participation in the National Evaluation. Develop a proposal to participate in the CCBHC Demonstration Program that document and verifies the completion of the above activities. Develop or enhance data collection and reporting capacity and provide information necessary for DHHS to evaluate proposals submitted by states to participate in the demonstration. Comply with the terms of the award and all cooperative agreement rules and regulations. Coordinate activities with other local, state and federal agencies and tribes to ensure that services are accessible and available.

Memorandum of Understanding

Agreement to delineate respective roles, responsibilities and financial obligations associated with the administration of the Illinois portion of the Children's Health Insurance Program Reauthorization Act (CHIPRA) Quality Grant Demonstration award and for facilitating mutual communication between the parties.

Parties Involved Other Than the Department

Health Management Associates, Inc. (HMA)

Dates Involved

03/11/15-02/21/16

Description of Memorandum Requirements

The Department is to provide office space and day-to-day supervision and assign work to the Illinois Project Director for the grant. The Department is to actively participate in grant meetings and activities. The Department is to meet regularly by phone or in person with HMA staff performing grant tasks. This Memorandum relates specifically to activities performed under and funded by the CHIPRA Quality Demonstration Grant awarded jointly to the states of Florida and Illinois in February 2010 and extended in February 2015. The grant will support activities in the two states to establish and evaluate a national quality system for children's health care and to improve access to and the quality of care provided to children through Illinois medical programs.

Memorandum of Understanding

Agreement relating specifically to the investigation of potential fraud under the medical programs and the location of absent parents under the child support enforcement program.

Parties Involved Other Than the Department

Illinois State Police (ISP)

Medical Fraud Control Unit (MFCU)

Dates Involved

9/17/12- Indefinitely

Description of Memorandum Requirements

- The Department will promptly refer all potential criminal complaints and allegations it receives or detects through its various functions to MFCU. Such referrals include, but are not limited to, audits, peer reviews, and hotline referrals.
- The Department will conduct administrative type investigations, as appropriate, to detect improper activity by providers who participate in the medical programs. The Department will promptly refer all cases in which such investigations reveal a credible allegation of fraud to MFCU.
- Regarding the complaints referred to the Department by MFCU, the Department will give a quarterly report to MFCU of the resolution of these complaints.

- The Department will initiate and vigorously pursue any administrative or judicial actions, which it determines are appropriate to recover improperly paid sums discovered by MFCU during an investigation.
- Upon MFCU request, the Department will promptly provide without alteration or change copies of records that the Department has in its possession. MFCU will only make such requests when it determines these records may be useful in the detection, investigation or prosecution of suspected violations of law. Unless otherwise agreed, MFCU will limit these requests to the ones where the suspected violations of law are those involving the provision of medical assistance or administration of the Medical Programs.
- Upon MFCU request, the Department will promptly and at no cost give MFCU computer printouts, special computer runs or copies of computer data stored by the Department. In addition, the Department will give MFCU hard copy provider information it maintains. MFCU will only make requests the unit determines will be useful in carrying out its responsibilities.
- When MFCU determines that having access to records or other information kept by a provider of the Medical Programs is necessary, the Department will arrange to give MFCU such access. Such MFCU access is limited to those situations where the Department is authorized access by§ 1902 (a) (27) of the Social Security Act.
- Upon request of MFCU, the Department will make available appropriate employees or employees of its fiscal agents to be expert witnesses. The Department will provide expert witnesses without charge to MFCU. Further, the Department will provide documentation to support criminal and civil enforcement proceedings and hearings.
- Upon written request of MFCU, the Department will cease and desist from conducting specific activities with respect to specified providers when such activities reasonably interfere with MFCU's ability to successfully prosecute these providers.
- Department staff will participate in periodic cross training initiatives with MFCU personnel.
- MFCU will conduct a statewide program for investigating and referring for prosecution violations of all applicable state and federal laws concerning fraud with respect to any aspect of the administration of the provision of the Medical Programs or the activities of providers of medical assistance under the Social Security Act.
- MFCU will review all complaints including those alleging abuse or neglect of patients of health care facilities receiving payments under the Act. MFCU will investigate all complaints, which, after initial review, indicate a substantial potential for criminal prosecution. If an initial review does not indicate a substantial potential for criminal prosecution, MFCU will refer the complaint to the Department or to an appropriate State agency.
- MFCU will conduct investigations regarding the Medical Programs separate and distinct from the Department and will make referrals to appropriate prosecuting authorities. MFCU will not need Department approval to make referrals to prosecution. MFCU will conduct said investigations and referrals without interference, review or restraint by the Department. No official of the Department will have direct or indirect authority over MFCU operations or its personnel. MFCU will not report directly or indirectly to the Department, other than to provide information otherwise required by this agreement.
- MFCU will refer all Medicaid fraud complaints, which after initial review by MFCU indicate no substantial potential for criminal prosecution to the Department. Such notice is solely for the purpose that the Department may, at its discretion, pursue appropriate administrative sanctions. MFCU will notify the Department when MFCU refers a case for prosecution. Quarterly, MFCU will report the status of all fraud cases to the Department.
- MFCU, in carrying out its duties under this Agreement, may discover overpayments made to health care facilities and other providers of medical assistance under the Act. When MFCU discovers such overpayments, it will promptly refer appropriate information to the Department, unless MFCU is going to open a criminal or civil investigation.

- MFCU may advise the Department on the use of computerization to enhance its ability to investigate criminal activity, including but not limited to such areas as information storage, content of forms, parameters for provider screens, development, implementation of MMIS and audit plans.
- MFCU may advise the Department on any aspect of the Medical Assistance Program that it believes makes the program vulnerable to fraud, waste, or abuse, or which impedes the efforts of the Department or the MFCU to detect, investigate, or prosecute instances of fraud, waste or abuse.
- MFCU and the Department shall discuss potential audit targets of the Medicaid Recovery Audit Contractor (RAC) program. The Department and/or the Medicaid RAC shall provide a monthly electronically secure list of these audit targets to the MFCU for review. The MFCU has 30 days to review the list and indicate to the Department and/or the RAC which providers are prohibited from audit by the Medicaid RAC program. The MFCU shall also share this list with its OIG partner to determine whether OIG also wants to prohibit RAC audit of certain providers. The OIG shall determine whether OIG also wants to prohibit RAC audit of certain providers. The OIG shall also have 30 days to make its determination regarding RAC audit of the listed providers.
- MFCU will be responsible for obtaining any books, papers, records or other documents which are not in the Department's possession or in the possession of a provider of the Medical Programs for which the Department is authorized access under §1902 (a)(27) of the Social Security Act. Such materials include but are not limited to records possessed by other State agencies.
- Upon written request by the Department, MFCU will provide reports concerning case investigations to facilitate administrative sanctions and recoupment of overpayments. MFCU will make appropriate employees available for testimonial purposes and provide documentation for the Department's administrative hearings. MFCU will provide the Department a quarterly report of the status of all open investigations.
- MFCU will employ sufficient professional, administrative and support staff to carry out its duties and responsibilities in an effective and efficient manner.
- MFCU will provide support to the Department in the form of evidence, witnesses and pertinent information and documentation for the Department's administrative sanction efforts, provided such support does not jeopardize ongoing criminal investigations or prosecutions.
- Upon request of the Department, ISP will provide information available to ISP to facilitate location of absent parents by the Department for the purposes of child support enforcement. This data exchange will be in a form as agreed by the Parties. To the extent applicable, ISP will comply with all Title IV-D regulations in fulfilling the purposes of this Agreement.
- MFCU personnel will participate in periodic cross training initiatives with Department staff.

Memorandum of Understanding

License to obtain a copy of the Texas Health and Human Services Commission "Your Texas Benefits" Mobile Application, including software and documentation for use for Illinois governmental purposes.

Parties Involved Other Than the Department

Texas Health and Human Services Commission (HHSC)
Illinois Department of Human Services (DHS)

Dates Involved

09/14/15-Indefinitely

Description of Memorandum Requirements

HHSC is sharing the Application "as is" and free of charge with no warranties of any kind, express or implied. HHSC will not be liable to the Department or DHS for damages resulting from use of the Application. The Department and DHS release and discharge HHSC of any such claims. The

Department and DHS will hold HHSC harmless against any claims asserted by third parties arising out of or connected with the Departments or DHS' use of the Application to the extent allowed by the Illinois Constitution and applicable Illinois law, without waiving Illinois' sovereign immunity.

Memorandum of Understanding
Agreement to receive quarterly from DPH data in a mutually suitable form for storage in the Medical Data Warehouse (MDW) maintained by the Department.
Parties Involved Other Than the Department
Illinois Department of Public Health (DPH)
Dates Involved
03/16/11-Indefinitely
Description of Memorandum Requirements

- The Department shall provide adequately secure storage for the Data in the MDW maintained by the Department. Such storage shall be subject to inspection and approval of DPH.
- The Department shall use the Data internally to support its mission by studying the utilization of and charges for health care services available to Illinois residents. This includes but is not limited to the evaluation of the efficiency of the disease management program of the Department.
- The Department shall provide to the DPH Discharge Data program summary output of studies and analyses of Medicaid data and such comparison(s) of Data and Medicaid data as are releasable under the limitations of Medicaid data usage. These studies will be based on mutually agreed upon methods and criteria and will only be used internally within DPH for the purpose of Data quality improvement.

Memorandum of Understanding
Agreement to allow the Department direct input of obligations / purchase orders into the Statewide Accounting and Management System (SAMS).
Parties Involved Other Than the Department
Office of the Comptroller (Comptroller)
Dates Involved
04/01/98-Indefinitely
Description of Memorandum Requirements

- The Department will direct enter all POs (excluding IGPS transactions) into SAMS from remote sites.
- The Department will apply the first level, on-line approval on all POs (excluding Illinois Government Purchasing System (IGPS) transactions).
- After the first level approval is applied, the Department will forward the hard copy POs and associated contracts to the Comptroller. These documents will be submitted in obligation number order and be accompanied by a cover sheet.
- When received, the Comptroller will pre-audit the PO and the associated contract for legal compliance. The Comptroller agrees that POs entered by external Agencies will be given preferential processing during legal pre-audit steps. If the documents are in compliance, Comptroller will approve the PO on-line. If the documents are not in compliance, Comptroller will put the PO in a HOLD status and attach an electronic note with the reason it failed pre-audit review. The Department will have 5 working days to bring the documents into compliance. After 5 working days, Comptroller will delete the electronic record and return hard copy documents to the Department.

Child Support Services

Narrative Description of the Program

The Division of Child Support Services (DCSS) serves families composed of Temporary Assistance to Needy Families (TANF), Medical Assistance No Grant (MANG) clients and any other Illinois residents requesting child support services (Non-Assistance (N/A) 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, suspension of driver's, hunting, and fishing licenses and other lump sum intercepts. DCSS also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, these TANF, MANG and N/A cases receiving these services are known as Title IV-D cases. The Division also processes non-IV-D cases through the State Disbursement Unit (SDU).

Program Goal

The program goal is to provide services to custodial and non-custodial parents by establishing paternity and establishing, enforcing, and modifying child support obligations to strengthen families emotionally and financially.

Performance Measures	**FY 2016**	**FY 2017**
Total child support collections (in thousands, includes all Title IV-D, TANF & non-TANF)	$1,429,115.9	$1,420,864.1
Number of IV-D cases with new support orders established	37,324	40,384
Amount of total child support arrearages collected (in thousands, includes all Title IV-D, TANF & non-TANF)	$264,566.5	$253,013.8

Evaluation of Performance/Activity Measures

Effectiveness is measured by monitoring the status of the measures shown above on an ongoing basis.

Medical Programs

Narrative Description of the Program

The Division of Medical Programs is responsible for administering the Medical Assistance Programs under the Illinois Public Aid Code, the Children's Health Insurance Program Act, the Covering All Kids Health Insurance Act, the Veteran's Health Insurance Program Act, and other provisions of State law, and Titles XIX and XXI of the federal Social Security Act.

Program Goal

The program goal is to improve the health status of individuals enrolling in the Medical Assistance program, while simultaneously containing costs and maintaining program integrity.

Performance Measures	FY 2016	FY 2017
Total number of people enrolled in Medical Programs	3,206,198	3,162,796
Total number of people enrolled in the Affordable Care Act	655,137	639,418

Evaluation of Performance/Activity Measures

The average monthly count of enrolled individuals for which the Illinois Department of Healthcare and Family Services (Department) provided medical coverage was over 3.2 million, including pregnant women, infants, children, parents and caretaker relatives, adults with no minor children in the home, seniors, people with disabilities, persons with breast and cervical cancer, employed people with disabilities and other programs. Licensed practitioners, hospital and nursing facilities, and other medical and dental professionals enrolled with the Department provided these medical services.

Medicaid Reform Law

In order to fundamentally carry out the mission of the Department, the Department needs to reform the systems that deliver medical care to clients. The Medicaid reform law, P.A. 96-1501, adopted by the Illinois General Assembly in 2011, mandated that 50 percent of all Illinois Medicaid recipients be in coordinated care by January 1, 2015. The Department has completed the roll-out of mandatory care coordination programs for most Medicaid-only clients in five mandatory managed care counties, and for the dual eligible population in the two demonstration areas for the Medicare-Medicaid Alignment Initiative program. Through these programs, the Department has surpassed the 50 percent goal required by this law, with an enrollment of over 2 million clients in care coordination programs.

Accountability

Although providing access to quality health care is the overriding mission of the Department, it is also critical to perform this function in the most cost-effective and efficient manner. Two performance indicators have been selected to measure one aspect of this effectiveness: 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 $590 million in fiscal year 2013, over $530 million in fiscal year 2014, over $432 million in fiscal year 2015 and over $529 million in fiscal year 2016.

<u>Office of Inspector General</u>

Narrative Description of the Program

The Inspector General is appointed by the Governor, reports to the Governor, and is confirmed by the Illinois State Senate. The mission of the Office of Inspector General (OIG) is to prevent, detect and eliminate fraud, waste, abuse, misconduct, and mismanagement in the Medicaid programs administered by the Department, Department of Human Services and the Department on Aging.

Program Goal

The OIG combats fraud and abuse by implementing innovative Medicaid fraud prevention and detection techniques, conducting client eligibility investigations, performing Medicaid client fraud investigations, restricting clients who abuse their benefits, 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.

Performance Measures		**FY 2016**	**FY2017**
Amount from Enforcement activities (in Millions)		$ 141.4	$ 120.7
Amount from Prevention activities (in Millions)		$ 78.8	$ 75.0
Total amount of Return on Investment (in Millions)		$ 220.2	$ 195.7

Evaluation of Performance/Activity Measures

The performance measure "amount from Enforcement activities" is essentially the dollars collected as a result of enforcement activities. Enforcement activities included in this performance measure were: provider audits, global settlements, long-term care – asset discovery investigations, child care overpayments, fraud science team actions, SNAP overpayments, client overpayments, restitution payments and provider sanctions—cost savings.

The performance measure "amount from Prevention activities" is essentially the amount of money not inappropriately spent as a result of a preventive activity. The preventive activities included in this performance measure were long-term care – asset discovery investigations (LTC ADI) and recipient restrictions.