


Program Audit

COVERING ALL KIDS HEALTH INSURANCE PROGRAM



Senate Special Committee
on Medicaid Reform
November 29, 2010

Background

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

Background

- In our audit, we refer to the portion of the ALL KIDS program that serves the uninsured children not previously covered by KidCare as "EXPANDED ALL KIDS."
- Although the focus of the audit was on the EXPANDED ALL KIDS population, many of the recommendations contained in the report may be relevant to the ALL KIDS Program as a whole.
- In FY09, the ALL KIDS program had 1.7 million enrollees.
 - 71,665 were eligible as a result of the EXPANDED ALL KIDS program, as of June 30, 2009.

EXPANDED ALL KIDS ENROLLMENT BY PLAN ¹

as of June 30, 2009

EXPANDED ALL KIDS Plan	Citizens/ Doc. Immigrants	Undocumented Immigrants
Assist	n/a	50,009
Share	n/a	1,931
Premium Level 1	n/a	1,604
Premium Level 2	14,514	429
Premium Level 3	2,558	76
Premium Level 4	406	19
Premium Level 5	70	3
Premium Level 6	19	2
Premium Level 7	10	0
Premium Level 8	15	0
Total	17,592	54,073

Note: ¹ The enrollment for undocumented immigrants is overstated, while the enrollment for documented immigrants is understated.

PAYMENTS FOR EXPANDED ALL KIDS SERVICES BY ALL KIDS PLAN ¹

Fiscal Year 2009

EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants	Undocumented Immigrants	Totals
Assist	n/a	\$50,799,921.39	\$50,799,921.39
Share	n/a	\$1,552,871.18	\$1,552,871.18
Premium Level 1	n/a	\$1,745,546.15	\$1,745,546.15
Premium Level 2	\$19,198,486.89	\$649,572.88	\$19,848,059.77
Premium Level 3	\$3,814,369.50	\$115,547.52	\$3,929,917.02
Premium Level 4	\$743,851.06	\$46,287.84	\$790,138.90
Premium Level 5	\$267,784.54	\$6,322.20	\$294,106.74
Premium Level 6	\$49,980.90	\$2,135.09	\$52,115.99
Premium Level 7	\$14,979.49	\$8.00	\$14,987.49
Premium Level 8	\$40,407.59	\$262.89	\$40,670.48
Totals	\$24,149,859.97	\$54,918,475.14	\$79,068,335.11

Note: ¹ Due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the costs for undocumented immigrants are overstated, while the costs for documented immigrants are understated.

EXPANDED ALL KIDS PAYMENTS VS. PREMIUMS

Fiscal Year 2009

EXPANDED ALL KIDS Plan	FY09 Payments	FY09 Premiums Collected	Net Cost
Assist	\$50,799,921.39	n/a	\$50,799,921.39
Share	\$1,552,871.18	n/a	\$1,552,871.18
Premium Level 1	\$1,745,546.15	\$383,405.00	\$1,362,141.15
Premium Level 2	\$19,848,059.77	\$6,045,950.86	\$13,802,108.91
Premium Level 3	\$3,929,917.02	\$1,825,569.10	\$2,104,347.92
Premium Level 4	\$790,138.90	\$427,846.50	\$362,292.40
Premium Level 5	\$294,106.74	\$108,513.00	\$185,593.74
Premium Level 6	\$52,115.99	\$46,380.00	\$5,735.99
Premium Level 7	\$14,987.49	\$12,960.00	\$2,027.49
Premium Level 8	\$40,670.48	\$39,040.00	\$1,630.48
Totals	\$79,068,335.11	\$8,889,664.46	\$70,178,670.65

Eligibility Issues

- HFS and DHS are not obtaining documentation to support eligibility in some instances.
- Although the Covering ALL KIDS Health Insurance Act requires that children be residents of the State, the ALL KIDS application contains no requirement that residency be documented.
- Auditors could not identify any routine process used by HFS or DHS to verify residency in the 98 case files reviewed.
- According to an HFS official, HFS "must verify residence only if there is a reason to question the claim of Illinois residency."



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Eligibility Issues

- Additionally, the ALL KIDS application does not require that any birth or identity documentation be provided by undocumented immigrants.
- According to HFS, children who do not meet citizenship/immigration requirements are not required to submit birth or identity documentation.
- Without such information, it is questionable how the Departments can verify that the child meets the Act's age requirements, as well as confirm the identity of the child.



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Eligibility Issues

- Only one pay stub was required to determine eligibility for ALL KIDS (except for self-employed individuals who are required to submit a month's worth of financial records).



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Eligibility Issues

- Eligibility based on a single pay stub may not be an accurate representation of actual income:
 - Families that are paid hourly wages may have income that fluctuates weekly.
 - Income, such as bonuses or commissions, may not be captured by one pay stub.
- This could result in a family paying a higher premium or co-pay, or could result in the State paying for a greater portion of a child's medical services than necessary.



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Eligibility Issues

- HFS received reports from IDES that would allow HFS to determine whether family income has increased.
- However, to use the reports, the parent's social security number is required.
- In 54 percent of the case files we reviewed, social security numbers were not included for one or both of the parents.
- According to HFS officials, the report provided by IDES is not used to verify income for the initial determination or annual redetermination.



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Redeterminations

- For ALL KIDS enrollees that fall below 200 percent of the Federal Poverty Level, a "passive" redetermination is used by HFS.
- A "passive" redetermination only requires families to return the annual renewal form if there is a change in their information.
- HFS officials stated that no other check is conducted annually to ensure that eligibility criteria have not changed.
- As a result, enrollees could remain eligible through "passive" redeterminations until they turned 19 years of age without ever having more than one actual eligibility determination.



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Terminating ALL KIDS Coverage

- HFS does not terminate ALL KIDS coverage when the enrollee fails to pay premiums as required.
- The Administrative Code states "... failure to pay the full monthly premium by the last day of the [one month] grace period will result in termination of coverage."
- According to an HFS official, HFS uses a 90 day grace period before coverage is terminated.
- Auditors selected 20 families identified on the March 2009 cancellation report.
- We found that the State paid for 343 services totaling \$10,995 for these 20 families after the required 30 day grace period had expired.

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Terminating ALL KIDS Coverage

- HFS and DHS did not have adequate controls in place to ensure that individuals over the age of 18 were terminated from ALL KIDS eligibility.
- According to HFS policy, enrollees have eligibility through the end of the month in which they reach 19 years of age.
- Auditors identified 128 recipients who received 1,035 services totaling \$49,690 after the month in which they turned 19 years of age.

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Exchange of Health Insurance Information

- The Covering ALL KIDS Act, which became effective on July 1, 2006, required HFS, in collaboration with the Department of Insurance, to adopt rules governing the exchange of health insurance information.
- Even though four years have passed since this requirement became effective, HFS has not adopted rules governing the exchange of health insurance information as required by the Act, according to an HFS official.

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Duplicate Cases

- HFS and DHS did not have adequate controls to ensure that individuals are not enrolled in ALL KIDS more than once.
- Auditors reviewed 20 potential duplicates:
 - 15 recipients were issued more than one recipient identification number during FY09;
 - 6 of the 15 recipients had overlapping periods of coverage during FY09 (meaning they received two different eligibility cards each month); and
 - 4 of the 6 recipients with overlapping coverage had claims during FY09 for both recipient identification numbers assigned to them.

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Misclassification of Immigrants

- HFS and DHS did not accurately classify documented immigrants enrolled in the EXPANDED ALL KIDS program.
- In 9 of 48 (19%) claims we reviewed from FY09, documented immigrants were misclassified as undocumented immigrants.
- These nine individuals had documentation in the case file to support their documented immigrant status.
 - 2 of 9 had been in the country for more than five years when they enrolled in the ALL KIDS program, i.e., they were incorrectly classified as undocumented when they enrolled; and
 - 1 had not been in the country for five years when first enrolled in the ALL KIDS program, but now has been, and thus should have been recategorized to documented status.

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Misclassification of Immigrants

- Federal law allowed matching funds for undocumented immigrants after they were in the country for more than 5 years.
- Because of these misclassifications, HFS did not submit and receive federal matching funds for these eligible enrollees.
- Furthermore, a recent change in federal law allows HFS to receive federal match for documented immigrants immediately (i.e., they do not have to be in the country for five years).

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Misclassification of Immigrants

- As of January 4, 2010, the State's revised State Plan had not yet been approved to begin receiving these matching funds.
- The misclassification of documented immigrants as undocumented immigrants will have even greater financial significance once Illinois' State Plan is approved and it can start receiving matching federal funds for these documented immigrants.



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Contracting

- HFS officials identified two contracts related to ALL KIDS:
 - a marketing contract to increase ALL KIDS enrollment; and
 - a contract to conduct a statutorily required survey.



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Contracting

- HFS paid over \$8 million for marketing activities under the ALL KIDS contract between FY06 and FY08.
- The procurement process for this contract contained deficiencies.
- For example, HFS utilized a pricing evaluation formula which was not published in the RFP, a formula which directly affected which bidder was awarded the contract.



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Contracting

- Exceptions included questionable billed hours, double billed expenses, and an invoice approved that did not contain supporting invoice/contract documentation.



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Recommendations:

- ✓ *The audit contained 13 recommendations.*
- ✓ *HFS and DHS agreed or partially agreed with them.*



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