



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



FLORIDA KIDCARE PROGRAM FLORIDA HEALTHY KIDS CORPORATION ELIGIBILITY ISSUES Operational Audit

SUMMARY

The KidCare Program was created to provide health care benefits to previously uninsured, low-income children. The Agency for Health Care Administration (AHCA) is the lead State agency for the Federally funded portion of the KidCare Program (i.e., Medicaid for Children and State Children's Insurance Program (known as Title XXI)). The Florida Healthy Kids Corporation (FHKC), under contract with AHCA, is the largest of several providers of Title XXI services. FHKC responsibilities include eligibility determination, collection of premiums, contracting with authorized insurers, and the development of benefit packages. Approximately \$531 million was budgeted for the KidCare Program (excluding Medicaid for Children) for the 2004-05 fiscal year. Of that amount, \$398 million was budgeted for FHKC.

The audit covered the period July 2004 through March 2005, and disclosed the following issues related to eligibility:

Finding No. 1: FHKC did not ensure that only eligible children were redetermined eligible for the Title XXI Program during the period July 2004 through December 2004. In addition, redeterminations were not always completed within the established time periods.

Finding No. 2: The presumptive eligibility period established by FHKC allowed children to be enrolled, pending redeterminations, for up to four months after their six-month eligibility period.

Finding No. 3: FHKC did not ensure that only eligible children were enrolled in the Title XXI Program during the January 2005 enrollment period.

Finding No. 4: The KidCare application format did not collect sufficient information to properly demonstrate eligibility.

Finding No. 5: Despite legislative changes effective January 1, 2005, FHKC did not discontinue State-subsidized KidCare coverage for State employee dependents until February 28, 2005. The additional two months of coverage cost approximately \$35,000.

Finding No. 6: KidCare procedures allowed for the potential concurrent enrollment of a child in both Medicaid and Title XXI.

Finding No. 7: Due to a programming error, the Department of Health (DOH) incorrectly enrolled children in the Children's Medical Services (CMS) component of KidCare.

BACKGROUND

The KidCare Program was created to provide health care benefits to previously uninsured, low-income children through the establishment of a variety of affordable health benefits coverage options.¹ The KidCare Program components include Florida Healthy Kids, MediKids, Children's Medical Services (CMS), and Medicaid for Children (see Appendix A). The majority of the children served under the KidCare Program are Federally subsidized under Medicaid or

the State Children's Insurance Program (also known as Title XXI of the Social Security Act). Medicaid clients were generally not included within the scope of this audit.

The Florida Healthy Kids Corporation (FHKC), a not-for-profit entity, was created by the Legislature to serve as a provider of services to children eligible for medical assistance under Title XXI.² The primary recipients of services provided through FHKC are school-age children with a family income below 200 percent of the Federal Poverty Level (FPL), who do not qualify for Medicaid.

The primary focus of this audit was FHKC's eligibility determination processes under the KidCare Program.³ FHKC contracts with a Third Party Administrator (TPA) to perform the scanning, data entry, and eligibility determinations for all applicants regardless of the KidCare Program component in which they may be eventually enrolled. The TPA screens the applicants for potential Medicaid eligibility and, if the Department of Children and Family Services (DCFS) determines them ineligible for Medicaid, the TPA will determine eligibility for Title XXI. If the applicant indicates the child has special health care needs, the Department of Health (DOH) will determine whether the child is eligible for CMS.

Some Title XXI requirements are Federally established while specifics regarding how the states intend to manage the Program are included in a State Plan which is approved by the Federal Government. Eligibility requirements are also included in the Florida KidCare Act.⁴ Eligibility factors include, but are not limited to, family income, age, and insurance availability and cost.

As noted above, Title XXI clients must have family income of less than 200 percent of the FPL. Effective July 1, 2004,⁵ KidCare applicants were required to

submit income documentation. The law requiring applicants to submit proof of family income was signed by the Governor on March 11, 2004.⁶ A subsequent law⁷, signed by the Governor on May 28, 2004, specified that the following items should be included as support of family income: a Federal income tax return from the prior year, any wages and earnings statements (W-2 forms), and any other appropriate documents. Effective December 21, 2004, the income documentation requirements were revised to require only a copy of the most recent Federal income tax return.⁸ The law also provides that, in the absence of a Federal income tax return, an applicant was allowed to submit wages and earnings statements (pay stubs, W-2 forms) or other appropriate documents.

According to FHKC policy, income documentation must be received for all income and for each person reported on the application as having income. A family's household size and premium income (i.e., family income less any applicable income reductions) is compared with the FPL and, if eligible, children are enrolled in one of two Federally subsidized premium plans. A family with premium income of less than 150 percent of the FPL can qualify for plan two⁹ and pay a \$15 per month family premium. A family with premium income between 150 and 200 percent of the FPL can qualify for plan three and pay a \$20 per month family premium. Plan four is a nonsubsidized plan available for a limited number of children in the Healthy Kids Program.¹⁰ The nonsubsidized plan can include families whose premium income is over 200 percent of the FPL. They pay approximately \$110 per month per child (full-pay).

Florida Statutes state that children are not eligible for Title XXI coverage if they have access to affordable employer-sponsored insurance (ESI).¹¹ Specifically, the cost of the child's participation in the ESI program

¹ Section 409.812, Florida Statutes

² Section 624.91, Florida Statutes

³ Chapter 2004-1, Laws of Florida

⁴ Sections 409.810-409.820, Florida Statutes

⁵ Prior to July 2004, income was self-declared and there was no documentation required.

⁶ Chapter 2004-1, Laws of Florida

⁷ Chapter 2004-270, Laws of Florida

⁸ Chapter 2004-478, Laws of Florida

⁹ Plan one is no longer in use.

¹⁰ Section 409.814(5), Florida Statutes

¹¹ Section 409.814(4), Florida Statutes

must be more than five percent of the family’s income for the child to be eligible for Federal subsidy. In addition, the child must not have been voluntarily canceled from an ESI plan within the last six months, except those children who were on the KidCare waiting list prior to March 12, 2004.

Prior to January 1, 2005, children enrolled in the KidCare program were required to be redetermined as eligible every six months. Effective January 1, 2005, the redetermination period was extended to every 12 months. Our eligibility testing was performed in two segments. The first segment tested redeterminations which should have been conducted between July 2004 and December 2004. The second segment tested children enrolled in the KidCare Program during the January 2005 enrollment period.

FINDINGS AND RECOMMENDATIONS

The establishment and effective dissemination of policies and procedures, proper training, and monitoring of the delivery of services are key to ensuring that Program resources are successfully applied in compliance with governing laws, rules, and other guidelines. In this report, we describe deficiencies related to KidCare eligibility determinations. These findings are indicative that management had not established the necessary processes and controls to sufficiently minimize the risks associated with Program eligibility issues.

Finding No. 1: Eligibility Redeterminations

Our testing included 203 active KidCare clients who should have had eligibility redeterminations during July 2004 through December 2004.

- In 31 instances, redeterminations which should have been performed in August 2004 were not performed at the required six-month interval. Instead, the redeterminations were performed on average one year apart.

Of the remaining 172 clients, our testing disclosed the following income-related matters:

- In 87 instances, the incorrect monthly family income was recorded in the TPA’s Children’s

Health Administration System (CHAS). While 6 of the differences were minor (i.e., less than \$20), the largest difference was under-recorded income of \$4,739. As further described below, in some instances this resulted in the children being enrolled in the wrong plan or ineligible for subsidy.

- In 15 instances, coverage was continued despite the applicant not providing the required income documentation within the presumptive eligibility period (see also finding No. 2).

The following premium-related matters were identified:

- In the 15 instances mentioned above as having incomplete income documentation, the amount of premium income could not be calculated; therefore, it could not be determined whether the child was enrolled in the correct premium plan.
- In 47 instances, the children were enrolled in the wrong premium plan. Specifically:
 - In 22 instances, children were enrolled in the wrong level of subsidized plan (e.g., enrolled in plan two but should have been in plan three).
 - In 24 instances, children were enrolled in a subsidized plan but should have been full-pay (i.e., plan four).
 - One child was enrolled in a subsidized plan, but should have been cancelled.

We also noted:

- In 5 instances, we were unable to determine whether the cost of the ESI was less than five percent due to the cost or availability not being indicated by the applicant.
- In 2 instances, a completed renewal form was not available for our review.

As discussed in the Background section, there were a number of statutory changes during a ten-month period that required implementation by management in a brief period of time. Certain management decisions and programming errors during this period contributed to the large number of exceptions noted above.

- When the December 2004 law revision occurred, FHKC allowed applicants who had provided at least one of the several required documentation items prior to December 21, 2004, to have their eligibility finalized with the income documentation previously provided. However, due to a programming error, CHAS did not properly identify those children who needed to have their redeterminations completed. Due to the cost involved in manually researching the accounts, the redetermination process was not always completed, and FHKC allowed children to continue coverage (as otherwise eligible) until their next redetermination period.
- As previously disclosed in audit report No. 2006-046, finding No. 5, a coding error in CHAS had resulted in premium plans not being in accordance with recorded income levels.

Recommendation: FHKC should improve oversight of the TPA to ensure:

- **Policies and procedures related to income calculations and documentation requirements are sufficiently detailed.**
- **Redeterminations are conducted in compliance with established requirements.**
- **Adequate system testing is conducted prior to the implementation of programming changes.**
- **Staff are adequately trained and supervised.**

Finding No. 2: Presumptive Eligibility Period

Title XXI regulations¹² authorize the states to fund healthcare costs during the eligibility screening process (i.e., presumptive eligibility period). FHKC allows applicants who submit some form of eligibility documentation prior to their cancellation date a four-month presumptive eligibility period to complete the eligibility redetermination process. By comparison, the Department of Children and Family Services (DCFS) uses a ten-day presumptive eligibility period for other Federal programs (i.e., Food Stamps and

¹² Title 42, Code of Federal Regulations, Section 457.355

Medicaid). FHKC staff stated that the four-month presumptive eligibility period was implemented to accommodate clients in complying with the new income documentation requirements.

Recommendation: While an initial period of transition may have been needed, FHKC should consult with AHCA to reduce the presumptive eligibility period. The reduction will minimize the amount of time potentially ineligible children receive benefits and may also increase the efficiency of the redetermination process.

Finding No. 3: January 2005 Enrollment Period

Our review consisted of 100 children enrolled in the KidCare Program during the January 2005 enrollment period.

The following income-related matters were identified:

- In 34 instances, the incorrect monthly family income was recorded in CHAS. The differences ranged from a \$21 understatement to a \$3,472 understatement. As further described below, in some instances this resulted in the children being enrolled in the wrong plan or ineligible for subsidy.
- In 11 instances, we were not provided complete income documentation resulting in the inability to determine family income.
- In 4 instances, CHAS did not include daycare expenses that were listed on the application. Since daycare expenses may be used as a reduction of family income, this oversight could have an effect on the premium plan.

As a result of the income-related matters, the following premium-related matters were identified:

- In 10 of the 11 instances mentioned above as having incomplete income documentation, the amount of premium income could not be calculated; therefore, it could not be determined whether the child was enrolled in the correct premium plan.
- In 11 instances, children were enrolled in the wrong premium plan. Specifically:
 - Four children were enrolled in the wrong level of subsidized plan (e.g., enrolled in plan two, but should have been enrolled in plan three).

- Six children were enrolled in a subsidized plan, but should have been full-pay (i.e., plan four).
- One child was enrolled in a subsidized plan, but should have been cancelled.

The following matters were noted related to employer-sponsored insurance (ESI):

- In 49 instances, the applicant did not include an attestation regarding whether the applicant had voluntarily cancelled their ESI in the six months prior to submitting an application.
 - In 9 of the 49 instances, no documentation was available as to whether ESI had been cancelled.
 - In 34 of the 49 instances, FHKC staff stated that case notes indicate the client was called. However it was not apparent whether voluntary cancellation of ESI was addressed.
 - In 6 of the 49 instances, case notes indicated the question of cancellation of ESI was asked, but a response was not provided.
- In 6 instances, we were unable to determine whether the cost of ESI was less than five percent of the family income. In 4 of the 6 instances, the ESI cost was not included by the applicant and, in 2 instances, we were unable to determine due to the inability to calculate family income.
- One enrolled child had ESI available at less than five percent of the family's income.

In addition, the applications on file were not always clear or complete. For example:

- In three instances, a determination of whether the child was enrolled in the appropriate plan could not be made. In two instances, scanning errors prevented the sections relating to the applicant's indication that their child may have special health care needs from being available. This declaration initiates the referral to DOH for the CMS determination. In one additional instance, the file was received from DCFS upon Medicaid closure and the information provided did not indicate whether the child had special needs.
- In two instances, the scanned applications were missing the signature and date.

Recommendation: FHKC should enhance policies and procedures related to income calculations and increase training of the TPA. We also recommend that FHKC increase efforts to ensure the accuracy of the application scanning process in order to better evaluate an applicant's eligibility.

Finding No. 4: KidCare Program Application

The application for the KidCare Program includes several questions used to determine eligibility, including access to ESI, citizenship, and income. Requested information includes a count of the number of adults and children in the household, but the application instructions do not require the listing of all adults in the income section of the application. Of the 100 cases sampled during the January 2005 enrollment period, 6 cases included additional household members in the household size count from the application, although a determination of whether the additional members had income was not apparent. According to FHKC policy, if the income is not disclosed by the applicant, it is assumed that the income is zero.

In addition, Federal regulations¹³ prohibit a child from receiving Title XXI subsidized coverage when the child is eligible for health benefits coverage under a State health benefits plan on the basis of a family member's employment with a public agency, even if the family declines to accept the coverage. However, the KidCare application and renewal forms do not require an attestation that the applicant is not eligible for coverage under a State health benefits plan.

The Title XXI State Plan outlines the policy for the determination of a family member's employment with the State.¹⁴ An automated matching system was established with the Florida State Employees Payroll System whereby matches are conducted on a monthly basis. In accordance with the State Plan, the KidCare

¹³ Title 42, Code of Federal Regulations, Section 457.310(c)(1)

¹⁴ Employee means those staff having access to health insurance but not staff employed as Other Personal Services.

application process does not make the State employee match a pre-condition of eligibility; therefore children are enrolled in the KidCare Program prior to the completion of the match. If the child is determined to be a dependent of a State employee, their subsidy is discontinued and they are offered the full-pay health plan.

Recommendation: To help ensure the accuracy of income information submitted, we recommend that FHKC work with the other KidCare partners to revise the KidCare application to instruct the applicant to identify all adult household members and whether they receive income, regardless of family relationship.

To improve the efficiency of the application and renewal process, we also recommend that the application and renewal forms be revised to include a question for the applicant to identify whether they are State employees. In addition, FHKC should work with the TPA to enhance training to identify State employees during the application and renewal process (i.e., State pay checks to document income). If State employment is indicated, applicants should be further reviewed prior to enrollment.

Finding No. 5: State-Funded Assistance for State Employee's Dependents

As previously noted, Federal regulations¹⁵ prohibit a child from receiving Title XXI subsidized insurance when the child is eligible for health benefits coverage under a State health benefits plan. Florida Statutes¹⁶ allowed State employee dependents who were enrolled in the Florida Healthy Kids Program as of January 31, 2004, to receive State-funded assistance until January 1, 2005. However, FHKC did not discontinue State-subsidized eligibility for applicable State employees until February 28, 2005. The additional two months of coverage cost approximately \$35,000. FHKC indicated that disenrollment was delayed to allow for sufficient notice of the rate change. However, given the law's approval date of March 11, 2004, it is not apparent why the delay was necessary.

¹⁵ Title 42, Code of Federal Regulations, Section 457.310(c)(1)

¹⁶ Section 624.91(3)(d), Florida Statutes

Recommendation: FHKC should address legislative changes on a timely basis to ensure implementation on established dates.

Finding No. 6: Medicaid Enrollment

Federal regulations¹⁷ require that a Title XXI client must not be found eligible or potentially eligible for Medicaid under policies of the State plan. Due to fluctuations in family income, eligibility between Title XXI and Medicaid may vary during the year. This situation presents unique challenges since Medicaid eligibility is determined by DCFS and Title XXI eligibility is determined by a TPA. The TPA performs matching procedures to compare clients per CHAS with the Florida Medicaid Management Information System (FMMIS). According to FHKC procedures, a match is completed monthly for clients enrolled in KidCare (other than Medicaid for Children) to verify that a child is not concurrently enrolled in both Medicaid and Title XXI. The match is completed weekly for new applicants. Also CHAS is programmed to complete a daily analysis of potential Medicaid eligibility for all enrolled clients. If a child is found to be potentially eligible for Medicaid, the child is referred to DCFS for a Medicaid eligibility determination. Once DCFS completes the eligibility process, FHKC is notified of the final determination.

A child eligible for Medicaid is enrolled effective the first day of the month of application or referral receipt regardless of the date of determination of eligibility although the child may have Title XXI coverage throughout the remainder of the month. FHKC disenrolls the child from Title XXI after "failure" of the scheduled monthly match with FMMIS, rather than when FHKC is notified that a child is eligible for Medicaid. During our testing of the KidCare program between July 2004 and January 2005, 15 clients were dual enrolled in Medicaid and Title XXI for short periods (i.e., approximately one month).

¹⁷ Title 42, Code of Federal Regulations, Section 457.310(b)(2)(i)

Recommendation: FHKC should work with DCFS to develop a coordinated transition process that will ensure that eligible children have coverage, but are not dual enrolled in Medicaid and Title XXI.

Finding No. 7: CMS Eligibility Determinations

The CMS Program office at DOH is responsible for evaluating children who are determined to be potentially eligible for CMS due to behavioral or medical special health care needs. In March 2005, an automated program was initiated to assist with conducting clinical eligibility determinations. Of 303 children included in our eligibility testing, 11 were enrolled in CMS. In one instance, a child was enrolled in the CMS program that did not meet the definition of a child with special needs. Subsequent to our inquiry, DOH identified a computer error that allowed children to be incorrectly identified as clinically eligible for CMS. Due to the computer programming error, 36 children were incorrectly enrolled in CMS for April and May 2005 coverage. DOH reduced a subsequent invoice to AHCA by \$15,894 to reflect the correct capitation rate for the services provided by CMS.

Recommendation: DOH should ensure that future computer programs developed to assist the CMS eligibility process are adequately tested prior to implementation.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our overall objectives related to our audit of the KidCare Program were to obtain an understanding of internal controls and make judgments as to the effectiveness of those internal controls and to evaluate management’s performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of the Program; the validity and reliability of records and reports; and the safeguarding of assets.

The scope of the audit as it relates to this report focused on determining whether children enrolled in the KidCare Program were appropriately offered KidCare coverage.

In conducting our audit, we interviewed personnel, observed processes and procedures, examined selected transactions, and completed various analyses and other procedures as determined necessary. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2004 through March 2005.

Chapter 2004-1, Laws of Florida, implemented numerous changes to the KidCare Program and directed the Auditor General to perform periodic audits through the 2005-06 fiscal year to ensure that children enrolled in the Florida Healthy Kids Program are eligible pursuant to Sections 409.814 and 624.91, Florida Statutes.

In October 2005, we released audit report No. 2006-046 related to the KidCare Program - Monitoring and Other Issues.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

As required by law, our preliminary and tentative audit findings were provided to the Executive Director of Florida Healthy Kids Corporation and the Secretary of Department of Health. In letters dated December 12, 2005, and December 2, 2005, respectively, they provided responses to our findings and recommendations. The letters may be viewed in their entirety at the end of this report as Appendices B and C.

APPENDIX A

KidCare Program Components				
Program	Agency	Program Administered	Number Enrolled July 2005	Responsibilities
Medicaid Title XIX	Agency for Health Care Administration (AHCA)	<u>Medicaid for Children</u> ¹ Age 0 (infants under one year) 185% FPL or below Ages 1 through 5 133% FPL or below Ages 6 through 18 100% FPL or below	1,254,274	<ul style="list-style-type: none"> • Lead State entity for the State Children's Insurance Program (Title XXI) and Medicaid (Title XIX). • Contracts with FHKC, DOH, and DCFS to provide related KidCare services. • Contracts with health care service providers for MediKids and Medicaid clients.
		<u>MediKids</u> Ages 1 through 4 133% to 200% FPL <u>Medicaid for Children</u> Age 0 (infants under one year) 185% to 200% FPL	15,833 1,223	
State Children's Insurance Program Title XXI ²	Florida Healthy Kids Corporation (FHKC)	<u>Florida Healthy Kids</u> Age 5 133% to 200% FPL Ages 6 through 18 100% to 200% FPL Ages 5 through 18 Clients ineligible for subsidy can participate but receive no premium assistance. (26,009 enrollees)	177,721	<ul style="list-style-type: none"> • Not-for-profit entity responsible for KidCare application scanning, data entry, and eligibility determinations other than Medicaid for Children.³ • Contracts with health care service providers for Florida Healthy Kids clients.
	Department of Health (DOH)	<u>Children's Medical Services (Physical Health)</u> Age 0 (infants under one year) 185% to 200% FPL Ages 1 through 5 133% to 200% FPL Ages 6 through 18 100% to 200% FPL	7,656	
	Department of Children and Family Services (DCFS)	<u>Children's Medical Services (Mental Health)</u> Ages 5 through 18 100% to 200% FPL	Included in DOH CMS count	

Source: Florida KidCare Program State Plan, Florida Statutes, and www.floridakidcare.org

¹ Enrollees in Medicaid for Children can also be enrolled in Children's Medical Services (CMS)

² Title XXI requires a premium payment except for infants

³ FHKC contracts with a third party administrator to provide services listed

⁴ Section 409.811(6), Florida Statutes

APPENDIX B
MANAGEMENT RESPONSE

HealthyKids and KidCare

December 12, 2005

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Auditor General
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RE: Response to Preliminary and Tentative Audit Findings and Recommendations
Regarding Eligibility Issues
2005 Florida KidCare Program (and the Florida Healthy Kids Corporation)
July 2004 through March 2005

Dear Mr. Monroe:

Thank you for presenting your preliminary audit findings and tentative recommendations to the Florida Healthy Kids Corporation (FHKC) staff. Your findings share commonalities with those identified by our independent auditor following their annual review. We appreciate this opportunity to respond to six of your preliminary findings (the response to the seventh finding is with the purview of the Department of Health).

Finding No. 1: FHKC did not ensure that only eligible children were redetermined eligible for the Title XXI Program during the period July 2004 through December 2004. In addition, redeterminations were not always completed within the established time periods.

The Florida Healthy Kids Corporation acknowledges this finding, which was also identified by our independent auditor. This finding addresses the period that began July 1, 2004, when enrollees were required to submit three forms of income documentation as well as Employer Sponsored Insurance (ESI) documentation to renew their coverage. The finding also refers to the month of December, 2004, when the law changed to require one income document instead of three along with the ESI documentation.

FHKC and our third party administrator (TPA) contracted to conduct eligibility determination activities, had an extremely compressed time frame within which to design, test, and implement changes to the eligibility determination process to accommodate the new law. The time frame to implement the December 2004 changes was similarly compressed. In both cases, the shortage of design, testing, and implementation time, as well as the demands of training new dedicated staff, compromised the quality and timeliness of the eligibility determination process.

Within its findings, the Auditor General's staff identified as an issue the fact that the first enrollees slated for renewal August 1, 2004, did not have redeterminations at the required six month interval. While we understand that the enrollees subject to renewal August 1, 2004, were subject to the new law, there was not sufficient time to send these enrollees their renewal notices, which are mailed 60 days prior to the renewal date. By beginning with the September 1 renewal cycle, notices could be generated on July 1, 2004, providing the enrollees the prescribed amount of time to obtain and submit the necessary documentation.

FHKC understands that the Auditor General's staff is aware of the issue that occurred when the TPA staff documented income and ESI appropriately, but the child's information did not make the necessary transition to CHAS, the Child Health Administration System. We have modified the system to prevent this issue in the future.

In addition, upon identifying the issues in Finding Number One, FHKC immediately took steps to increase its oversight of the TPA. Specific to this finding, FHKC is scrutinizing the Income and Insurance Verification process more closely.

As another part of the solution, FHKC's support functions related to ensuring accuracy of redeterminations are also being examined in order to ensure better redetermination accuracy rates. Each audit methodology currently used is under comprehensive review, as is FHKC's quality assurance structure as a whole. System testing, another function critical to accurate eligibility determination, is now subject to closer oversight and additional sign-off procedures.

Finally, FHKC has taken the preliminary steps of a procurement process for a new Third Party Administrator contract. This business decision has been made in order to guarantee that the vendor most capable of managing the increased complexities of eligibility processing is selected to serve program enrollees.

Finding No. 2: The presumptive eligibility period established by FHKC allowed children to be enrolled, pending redeterminations, for up to four months after their six-month eligibility period.

The Florida Healthy Kids Corporation acknowledges this finding. It is important to note that, although the finding states that the presumptive eligibility period was "established by FHKC," it was established by FHKC at the culmination of a series of regional meetings at which all of the KidCare partners, and many other KidCare stakeholders, provided input regarding all aspects of the renewal process, including the proposed length of the presumptive eligibility period. The extended period was not inconsistent with state law and was deemed appropriate for the unique circumstances that were presented at the time. FHKC agrees that the policy should now be revisited since 100% of program enrollees have now experienced the renewal process and documentation requirements making the extended period less necessary.

FHKC plans to enter into a dialogue with the Agency for Health Care Administration (AHCA) regarding the possibility of reducing the presumptive eligibility period.

Finding No. 3: FHKC did not ensure that only eligible children were enrolled in the Title XXI Program during the January 2005 enrollment period.

The Florida Healthy Kids Corporation acknowledges this finding, which was also identified by our independent auditor.

We have explained many of the issues contributing to Finding Number Three within our response to Finding Number One. These included the extremely compressed time frame within which to design, test, and implement changes to the eligibility determination process. In addition, the sheer volume of applications received during the Open Enrollment period proved very difficult to manage within the time frames that had been established.

FHKC has instructed the TPA to conduct a thorough review of the scanning unit. That review has been completed, and any issues that could be rectified immediately were resolved. Additionally, the TPA is researching modifications to the unit's scanning equipment, which may serve to reduce the number of scanning issues such as those in this finding.

Lastly, the TPA and FHKC are analyzing the integrity of faxed documents. Preliminary research has indicated that inferior quality of faxed documents may be contributing to this issue. Anecdotally, we have noted that signatures that are cut-off and similar issues sometimes result from actions taken by the sender of the fax. The results of this analysis may lead FHKC to revise its policy of accepting faxed documentation.

Finding No. 4: The KidCare application format did not collect sufficient information to properly demonstrate eligibility.

The Florida Healthy Kids Corporation acknowledges this finding. We will be coordinating with the KidCare partners to revise the instructions on the application, as well as to add the appropriate questions to the KidCare application and renewal form to gather the information discussed in the Auditor General's recommendation. It is important to note that the KidCare application functions as a Medicaid application as well, so content and formatting decisions are not solely within FHKC's control. The Department of Children and Families (DCF) must approve any changes to the KidCare application and submit the application through its administrative rule-making process.

In addition to the changes planned for the paper application and renewal form, FHKC is developing an online application. With an online application process, instructions can be more thorough (because there are less space limitations) and changes to gather additional data are more easily made.

Finding No. 5: Despite legislative changes effective January 1, 2005, FHKC did not discontinue State subsidized KidCare coverage for State employee dependents until February 28, 2005. The additional two months of coverage cost approximately \$35,000.

FHKC agrees that these cancellations were legislatively mandated as of January 1, 2005. The change request to effect the cancellations was implemented by the TPA on December 2, 2004, a point when January 2005 cancellations were still possible. However, the TPA experienced a delay in generating the appropriate letters in a timely manner. Because of this delay, FHKC was unable to honor the January 1, 2005, cancellation date and did not discontinue State subsidized KidCare coverage for State employee dependents until February 28, 2005.

The TPA has been strongly advised to avoid such delays in the future. FHKC will continue to demand that the TPA follow instructions explicitly, in intent and timeframe.

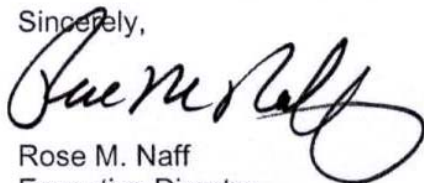
Finding No. 6: KidCare procedures allowed for the potential concurrent enrollment of a child in both Medicaid and Title XXI.

FHKC acknowledges that the potential for concurrent enrollment of a child in both Medicaid and Title XXI exists. We know that it is imperative to minimize the eventuality of such concurrence, since federal law prohibits Title XXI enrollment for a child who qualifies for Medicaid.

Our first step in refining the coordinated transition process between Medicaid and Title XXI is to refer the issue to FHKC's Eligibility Improvement Subcommittee, which has the "Medicaid to Title XXI Transfer Process" as one of its primary goals. This issue is complex since the federal regulations of each program differ regarding retroactivity of benefits.

We are grateful for this opportunity to examine our processes and for the guidance that the recommendations contain as we continue to improve. If you should have further questions, please contact Fred Knapp at 850-701-6113.

Sincerely,



Rose M. Naff
Executive Director

APPENDIX C
MANAGEMENT RESPONSE



Jeb Bush
Governor

M. Rony François, M.D., M.S.P.H., Ph.D.
Secretary

December 2, 2005

Mr. William O. Monroe, C.P.A.
Auditor General
Room G74, Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

This letter is in response to your November 15 correspondence regarding the preliminary and tentative findings of your report entitled, *Florida KidCare Program, Florida Healthy Kids Corporation, Eligibility Issues*. The agency's response and corrective action plans to your findings and recommendations may be found in the enclosed document.

We appreciate the work and timeliness of your staff. Once the auditors made us aware of the eligibility error, the automated system was discontinued and billings to the Agency for Health Care Administration were corrected.

If I may be of further assistance, please let me know.

Sincerely,

A handwritten signature in black ink that reads "M. Rony François MD, PhD".

M. Rony François, M.D., M.S.P.H., Ph.D.
Secretary, Department of Health

MRF/kir
Enclosure

Florida KidCare Program - Florida Healthy Kids Corporation - Eligibility Issues

Finding:

Due to a programming error, the Department of Health (DOH) incorrectly enrolled children in the Children's Medical Services (CMS) component of KidCare.

Recommendation:

DOH should ensure that future computer programs developed to assist the CMS eligibility process are adequately tested prior to implementation.

Management Response:

The Children's Medical Services (CMS) Program serves children with special health care needs who have chronic physical, developmental, behavioral, or emotional conditions and who also require health care and related services of a type or amount beyond that which is generally required by children. If a family answers "Yes" to any of the special needs questions on a Florida KidCare application, or if a child enrolled in Healthy Kids or MediKids appears to meet the qualifications for CMS eligibility, the Florida Healthy Kids Corporation refers the child to the CMS Program for a clinical eligibility determination. These determinations are conducted by health professionals in each of the CMS Program's area offices around the state by using a standardized screening instrument.

In March 2005, to assist its area offices with increased workload related to conducting clinical eligibility determinations for the CMS Network, the CMS Program headquarters office initiated an automated computer program in which information for a child referred from Healthy Kids to CMS for clinical eligibility determination was matched against the CMS Program's enrollment files for the previous 90 days. If the computer found a match, the system automatically populated the CMS clinical eligibility field with a "Y" indicator to identify the child as clinically eligible for the CMS Network and returned this information electronically to Healthy Kids. If no information for a child was found electronically, the referral was sent to the CMS area office for a full clinical eligibility determination.

CMS headquarters program staff tested the automated clinical eligibility computer program before it was fully deployed. Staff created a file of several months' worth of previous referrals, and ran this information through the test computer program. Staff then took a 10% sample of the results and compared the computer-generated clinical eligibility result to the actual clinical eligibility result reported by the CMS area office staff. The computer program yielded the same results as the area office results, leading to the conclusion that the computer program was operating correctly. Based on these results, the computer program was fully implemented in March 2005. The automated system was operational from mid-March 2005 until April 29, 2005, when as a result of collecting information for the Auditor General's audit sample, a computer glitch was identified that caused children to be identified incorrectly as clinically eligible for the CMS Network.

Corrective Action Plan:

As soon as the computer error was identified, the automated clinical eligibility process was discontinued. CMS Headquarters staff notified the Florida Healthy Kids Corporation and the Agency for Health Care Administration of the error. The CMS area offices initiated priority clinical eligibility screenings to identify and disenroll children who were enrolled in the CMS Network incorrectly due to the computer error.

The CMS Program reduced its June 2005 billing to AHCA by the amount of \$15,894.09, to account for 36 children who were enrolled incorrectly. Since the program provided health insurance coverage to these children during April or May 2005, the Title XXI CMSN capitation amounts were reduced to the average MediKids capitation rate for children under age 5, or the average Healthy Kids capitation rate for children ages 5 to 19, to reflect the Title XXI capitation payment MediKids or Healthy Kids would have received for these children.

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To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable ***Governmental Auditing Standards*** issued by the Comptroller General of the United States. This audit was conducted by Samantha Colbert, CPA and supervised by Peggy Miller, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, via e-mail at janeflowers@aud.state.fl.us or by telephone at (850) 487-9136.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850 487 9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).