



AUG 19 2004

**TO:** Wade F. Horn, Ph.D.  
Assistant Secretary  
for Children and Families

Mark B. McClellan, M.D., Ph.D.  
Administrator  
Centers for Medicare & Medicaid Services

**FROM:** Dara Corrigan   
Acting Principal Deputy Inspector General

**SUBJECT:** Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Indiana Under the State Children's Health Insurance Program (A-05-02-00073)

Attached is an advance copy of our final report on the ability of noncustodial parents to contribute toward the medical costs of Title IV-D children in Indiana under the State Children's Health Insurance Program (SCHIP). We will issue this report to the State within 5 business days.

The Child Support Performance and Incentive Act of 1998 (Public Law 105-200, effective October 1, 2001) encourages States to enforce medical support orders and provide health care coverage to uninsured children. Pursuant to the law, the Secretaries of Health and Human Services and Labor established the Medical Child Support Working Group and appointed the members from the child support community. In June 2000, the Working Group issued a report to both Secretaries identifying impediments to effective enforcement of medical support orders and recommending solutions. Because medical support orders are not enforceable when employers do not provide health insurance or the cost is unreasonable, some children who receive child support (Title IV-D children) are enrolled in SCHIP. In such cases, the Working Group recommended that States authorize decisionmakers, such as judges, to require noncustodial parents to contribute toward the costs of SCHIP benefits for their children.

We reviewed two populations of Title IV-D children in Indiana: children who were not enrolled in SCHIP and children enrolled in SCHIP. Our objectives were to determine:

- the number of children, potentially without health insurance, who would have been eligible to receive SCHIP benefits and the amount that the noncustodial parents could have contributed toward SCHIP premiums if their children had been enrolled

- the number of children who received SCHIP benefits and the amount that the noncustodial parents could have contributed toward SCHIP premiums

We conducted similar audits in six other States on which we will issue final reports. We conducted these audits as a result of a March 2002 Office of Inspector General report that identified significant savings potential in Connecticut if noncustodial parents were required to contribute toward the SCHIP premiums of their children.

Indiana has an opportunity to increase SCHIP enrollment and have noncustodial parents pay a portion of the associated costs. Based on a statistically valid sample, we estimated that 21,264 Title IV-D children would have been eligible to receive SCHIP benefits during the audit period of June 1, 2001 to May 31, 2002. The noncustodial parents of 10,940 of these children could have contributed \$6,406,854 toward the \$10,656,673 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled.

We also determined that 2,770 Title IV-D children received SCHIP benefits during the audit period. An estimated 416 of these children had noncustodial parents who could have contributed \$162,821 toward the \$247,112 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

We recommend that Indiana take appropriate steps to recover SCHIP premiums from noncustodial parents with medical support orders and the ability to pay for their dependent children.

The State suggested changes in the wording of the report and clarification of specific regulations and guidelines. The State also noted that its comments were in addition to previous comments provided by the Indiana Division of Family and Children, Child Support Bureau in response to a companion report addressing Medicaid costs.

We reviewed the comments and made appropriate changes to the report. We addressed comments received from the Indiana Division of Family and Children, Child Support Bureau in our report entitled "Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Indiana That Were Paid Under the Medicaid Program" (A-05-02-00075, dated November 25, 2003).

If you have any questions or comments about this report, please do not hesitate to call me, or have your staff contact Peter J. Koenig, Acting Assistant Inspector General for Grants and Internal Activities, at (202) 619-3191 or e-mail him at [Peter.Koenig@oig.hhs.gov](mailto:Peter.Koenig@oig.hhs.gov). Please refer to report number A-05-02-00073 in all correspondence.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

AUG 23 2004

Report Number: A-05-02-00073

Ms. Elizabeth Culp  
Director, Indiana Children's Health Insurance Program  
Indiana Family and Social Services Agency  
Division of Family and Children's Services  
402 West Washington Street  
Room W382 - MS07  
Indianapolis, Indiana 46204

Dear Ms. Culp:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Indiana Under the State Children's Health Insurance Program." A copy of this report will be forwarded to the HHS official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR Part 5).

Please refer to report number A-05-02-00073 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Paul Swanson".

Paul Swanson  
Regional Inspector General  
for Audit Services

Enclosures

**Direct Reply to HHS Action Official:**

Director, Office of Audit Resolution and Cost Policy  
Office of Finance  
Assistant Secretary for Budget, Technology and Finance  
U.S. Department of Health and Human Services  
Hubert H. Humphrey Building, Room 517D  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

**Department of Health and Human Services  
OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF THE ABILITY OF  
NONCUSTODIAL PARENTS TO  
CONTRIBUTE TOWARD THE  
MEDICAL COSTS OF TITLE IV-D  
CHILDREN IN INDIANA UNDER THE  
STATE CHILDREN'S HEALTH  
INSURANCE PROGRAM**



**AUGUST 2004  
A-05-02-00073**

# ***Office of Inspector General***

**<http://oig.hhs.gov>**

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of HHS/OIG/OAS. Authorized officials of HHS divisions will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The State Children's Health Insurance Program (SCHIP) allows States to provide free or affordable health care coverage to uninsured children in families whose incomes are too high to qualify for Medicaid but too low to afford private coverage. Because medical support orders are not enforceable when employers do not provide health insurance or the cost is unreasonable, some children who receive child support (Title IV-D children) are enrolled in SCHIP.

During our audit period, Indiana law did not require that Title IV-D children be enrolled in SCHIP when private insurance was not available or too costly. Additionally, there was no State or Federal requirement for noncustodial parents to contribute toward the SCHIP premiums (State capitation payments) paid on behalf of their children. As a result, Indiana and the Federal Government paid the costs incurred by children receiving SCHIP benefits.

### **OBJECTIVES**

We reviewed two populations of Title IV-D children in Indiana: children who were not enrolled in SCHIP and children enrolled in SCHIP. Our objectives were to determine:

- the number of children, potentially without health insurance, who would have been eligible to receive SCHIP benefits and the amount that the noncustodial parents could have contributed toward SCHIP premiums if their children had been enrolled
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could have contributed toward SCHIP premiums

Our audit covered June 1, 2001 through May 31, 2002.

### **SUMMARY OF FINDINGS**

#### **Children Potentially Without Health Insurance**

Indiana has an opportunity to enroll potentially uninsured Title IV-D children in SCHIP and provide a means for noncustodial parents to fulfill their medical support obligations. We estimated that 21,264 children whose noncustodial parents were unable to provide court-ordered medical support would have been eligible to receive SCHIP benefits during the audit period if no other health insurance had been available. An estimated 10,940 of these children had noncustodial parents who could have contributed \$6,406,854 toward the \$10,656,673 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled.

## **Children Who Received SCHIP Benefits**

We determined that 2,770 children received SCHIP benefits during the audit period because their noncustodial parents were unable to provide court-ordered medical support. An estimated 416 of these children had noncustodial parents who could have contributed \$162,821 toward the \$247,112 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

## **Implementation Barriers**

Although Indiana has made progress in obtaining private health insurance for its children, barriers still exist to maximizing other health insurance sources for medical support. Two identified concerns are court orders for medical support that generally require noncustodial parents to provide health coverage only if it is available through their employer and child support guidelines that do not require noncustodial parents to contribute toward the Indiana SCHIP premiums that their Title IV-D children incur.

## **RECOMMENDATION**

We recommend that Indiana take appropriate steps to recover SCHIP premiums from noncustodial parents with medical support orders and the ability to pay for their dependent children.

## **STATE'S COMMENTS**

The State suggested changes in the wording of the report and clarification of specific regulations and guidelines. The State also noted that its comments were in addition to previous comments provided by the Indiana Division of Family and Children, Child Support Bureau in response to a companion report addressing Medicaid costs.

The State's comments are included in their entirety in Appendix F.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

In response to the State comments, we modified our recommendations to give the State more flexibility in taking appropriate steps to recoup SCHIP premiums from noncustodial parents who have the financial ability to pay. We addressed comments received from the Indiana Division of Family and Children, Child Support Bureau in the report entitled "Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Indiana That Were Paid Under the Medicaid Program" (A-05-02-00075, dated November 25, 2003).

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## **INTRODUCTION**

### **BACKGROUND**

#### **Child Support Enforcement Program**

The child support enforcement program was enacted in 1975 under Title IV-D of the Social Security Act. The program provides authority to establish and enforce support and medical obligations owed by noncustodial parents to their children. Within the Federal Government, the Administration for Children and Families (ACF), Office of Child Support Enforcement is responsible for administering the program. In Indiana, the Child Support Bureau within the Indiana Family and Social Services Agency, Division of Family and Children's Services, administers the program.

The amount of child support that a noncustodial parent is obligated to pay is based on State guidelines.

#### **State Children's Health Insurance Program**

The Balanced Budget Act of 1997 established SCHIP under Title XXI of the Social Security Act. This program allows States to provide free or affordable health care coverage to uninsured children in families whose incomes are too high to qualify for Medicaid but too low to afford private coverage. Within the Federal Government, the Centers for Medicare & Medicaid Services (CMS) administers SCHIP.

Indiana's Office of Medicaid Policy and Planning manages the Indiana SCHIP program. The SCHIP program was implemented in two phases. Phase I, which began July 1, 1998, expanded Medicaid to children below the age of 19 with family incomes of no more than 150 percent of the Federal poverty level. Phase II, which is a non-Medicaid premium-shared program, was established beginning January 1, 2000 to provide coverage to children in families with incomes between 150 and 200 percent of the Federal poverty level. Children under either phase are considered part of the State's Hoosier Healthwise Program. SCHIP eligibility, and any premium charged to the family, is based on the household income. The noncustodial parent's income is not considered in either determination. Federal and State funds subsidize the difference between the amount that families pay and the amount charged by managed care organizations.

#### **Related Reports**

On March 13, 2002, we issued a report (A-01-01-02500) showing that an additional 11,600 uninsured children in Connecticut could have been enrolled in SCHIP if the State Title IV-D agency had been used as an enrollment tool. In addition, the report noted that noncustodial parents could have contributed approximately \$10.9 million (\$7.1 million Federal share) toward the cost of enrolling these children in SCHIP. We recommended that Connecticut require noncustodial parents to enroll their children in SCHIP when other health insurance is not available at a reasonable cost and assess the ability of noncustodial parents to contribute toward the SCHIP premiums of their children.

The Child Support Performance and Incentive Act of 1998 (Public Law 105-200, effective October 1, 2001) encourages States to enforce medical support orders and provide health coverage to uninsured children. Pursuant to the law, the Secretaries of Health and Human Services and Labor established the Medical Child Support Working Group and appointed the members from the child support community. In June 2000, the Working Group issued a report to both Secretaries identifying impediments to effective enforcement of medical support and recommending solutions. The Working Group recommended, among other things, that States authorize decisionmakers, such as judges, to require noncustodial parents to contribute toward the costs of SCHIP benefits for their children when employer-sponsored health insurance is not available or not affordable.

After considering the Working Group's report and the results of our work in Connecticut, we initiated reviews in New York, Indiana, Michigan, New Jersey, North Carolina, Texas, and Virginia. The objective of these reviews was to identify savings to SCHIP if noncustodial parents had been required to contribute toward the costs of SCHIP benefits for their children.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

We reviewed two populations of Title IV-D children in Indiana: children who were not enrolled in SCHIP and children enrolled in SCHIP. Our objectives were to determine:

- the number of children, potentially without health insurance, who would have been eligible to receive SCHIP benefits and the amount that the noncustodial parents could have contributed toward SCHIP premiums if their children had been enrolled
- the number of children who received SCHIP benefits and the amounts that the noncustodial parents could have contributed toward SCHIP premiums

### **Scope**

For the period of June 1, 2001 through May 31, 2002, we reviewed a statistically valid sample of:

- 200 children from a population of 30,817 Title IV-D children who did not receive SCHIP benefits
- 100 children from a population of 2,770 Title IV-D children who received SCHIP benefits

We did not review the overall internal control structure of the Title IV-D agency. We did, however, review pertinent controls over the establishment and enforcement of child and medical support orders. We performed fieldwork from July 2002 to January 2003.

## **Methodology**

To accomplish our objectives, we:

- reviewed Federal and State laws, regulations, policies, and procedures
- interviewed State officials
- examined State records related to sampled items
- tested the accuracy and completeness of data obtained
- identified noncustodial parents who met our review criteria
- calculated potential savings to the Federal and State Governments

We selected the sampled items using a simple random sample design. Details on our methodologies and savings calculations can be found in Appendix A. Appendices B through E provide details on our sampling results and projections.

We conducted our review in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

Indiana has an opportunity to enroll uninsured Title IV-D children in SCHIP and provide a means for noncustodial parents to fulfill their medical support obligations. We estimated that 21,264 uninsured children would have been eligible to receive SCHIP benefits during the audit period if no other health insurance had been available and that 10,940 of these children had noncustodial parents who could have contributed \$6,406,854 toward the \$10,656,673 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled.

We also determined that 2,770 Title IV-D children received SCHIP benefits during the audit period. An estimated 416 of these children had noncustodial parents who could have contributed \$162,821 toward the \$247,112 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

## **FEDERAL AND STATE REQUIREMENTS**

### **Federal Laws and Regulations**

Over the past decade, several Federal laws and regulations have been enacted to provide health insurance for uninsured children. Under 45 CFR § 303.31(b), a medical support order must be established to include health insurance that is available to the noncustodial parent at a reasonable cost. The Personal Responsibility and Work Opportunity

Reconciliation Act of 1996 directs the Title IV-D agency to notify an employer of a noncustodial parent's medical support obligation and directly enroll his or her children if a health plan is available. The Child Support Performance and Incentive Act of 1998 encourages States to enforce medical support orders and provide health coverage to uninsured children. Title XXI, which authorizes the SCHIP program, does not prohibit States from collecting SCHIP costs from noncustodial parents who have a medical support order.

Although the intent of these laws and regulations is to provide private medical coverage to uninsured children, medical support orders are not enforceable when employers do not provide health insurance or the cost is unreasonable.

### **State Laws**

Although the Indiana Code does not require noncustodial parents to make contributions toward their children's SCHIP premiums, it recognizes that noncustodial parents may have an obligation to provide health care coverage for their children. Indiana Code, Section 31-16-6-4 provides that:

A child support order may also include, where appropriate, basic health and hospitalization insurance coverage for the child . . . the court may order the parent who is ordered to pay child support to provide the insurance coverage for the child if the insurance coverage: (1) is available to the parent ordered to pay child support or the dependents of the parent as part of the parent's employee benefit plan; or (2) is available at reasonable cost to the parent ordered to pay child support . . . .

## **SAMPLE RESULTS AND PROJECTIONS**

### **Initial Analysis of Sampled Items**

We analyzed the sampled children in each population to identify those whose noncustodial parents during the audit period:

- had a current child support obligation
- made a minimum of three child support payments
- were ordered to provide medical support but could not because it was either not available or too costly

We eliminated from our detailed analysis those sampled children whose noncustodial parents lacked one or more of the above attributes.

## **Detailed Analysis of Children Without Health Insurance**

On the basis of our initial analysis, we eliminated 62 of the 200 sampled children from further calculations.<sup>1</sup> For the remaining 138 children, we calculated the amounts that noncustodial parents could have contributed toward SCHIP premiums if their children had been enrolled:

- The noncustodial parents of 71 children could have contributed \$41,580 toward the total premiums of \$69,161 (Federal and State combined). Projecting these results to the population of 30,817 Title IV-D children without SCHIP, we estimated that 21,264 children would have been eligible to receive SCHIP benefits. Of these, 10,940 children had noncustodial parents who could have contributed \$6,406,854, or 60 percent of the total \$10,656,673 in SCHIP premiums that would have been incurred if these children had been enrolled in the program. These estimates represent the midpoint of the 90-percent confidence interval. (See Appendices B and D for detailed sampling results and projections.)
- The noncustodial parents of 67 children could not have afforded to pay any of the SCHIP premiums.

## **Detailed Analysis of Children Who Received SCHIP Benefits**

On the basis of our initial analysis, we eliminated 65 of the 100 sampled Title IV-D children from further calculations.

For the remaining 35 children, we found that:

- The noncustodial parents of 15 children could have contributed \$5,878 toward the total SCHIP premiums of \$8,921 (Federal and State combined). Projecting these results to the population of 2,770 children enrolled in SCHIP, we estimated that 416 children had noncustodial parents who could have contributed \$162,821, or 66 percent of the total \$247,112 in SCHIP premiums (Federal and State combined). These estimates represent the midpoint of the 90-percent confidence interval. (See Appendices C and E for detailed sampling results and projections.)
- The noncustodial parents of 20 children could not have afforded to pay any of the SCHIP premiums.

## **Implementation Barriers**

Based on our work at the State, we believe certain barriers need to be overcome to use the Title IV-D agency as an enrollment tool. Barriers include:

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<sup>1</sup>Of the 62 children, 12 had a noncustodial parent providing health insurance, 26 did not qualify for SCHIP because they did not reside in Indiana, and 24 were not eligible because their custodial parents' income was too high to qualify for SCHIP.

- **Limited Coordination of Information.** There is limited coordination of information between Indiana’s SCHIP and Title IV-D programs.
- **Inaccessibility of Custodial Parents’ Financial Information.** Access to custodial parents’ financial information is needed for the noncustodial parents to enroll their children in SCHIP. The Indiana courts do not specifically order either the noncustodial parents or custodial parents to enroll their children in SCHIP when health coverage is not available. Access to needed custodial parents’ information has not been established.
- **Nonspecific Court Order Requirements.** Court orders do not require SCHIP enrollment or enforce SCHIP premium payments by noncustodial parents. Nonspecific court orders do not include language needed to establish noncustodial parents’ responsibility for medical support.
- **Insufficient Child Support Guidelines.** State child support guidelines do not specifically require that noncustodial parents contribute toward SCHIP premiums. Indiana child support guidelines merely state that health insurance coverage should normally be provided by the parent who can obtain the most comprehensive coverage at the least cost.

## **RECOMMENDATION**

We recommend that Indiana take appropriate steps to recover SCHIP premiums from noncustodial parents with medical support orders and the ability to pay for their dependent children.

## **STATE’S COMMENTS**

The State suggested changes in the wording of the report and clarification of specific regulations and guidelines. The State also noted that its comments were in addition to previous comments provided by the Indiana Division of Family and Children, Child Support Bureau in response to a companion report addressing Medicaid costs.

The State’s comments are included in their entirety in Appendix F.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

In response to the State comments, we modified our recommendations to give the State more flexibility in taking appropriate steps to recoup SCHIP premiums from noncustodial parents who have the financial ability to pay. The State clarified the use of the word “premium” (the amount paid by the parent) versus “capitation” (the amount paid by the State to the managed care organization). For purposes of this report, we are using the word “premium” to refer to the capitation payment by the State.

We addressed comments received from the Indiana Division of Family and Children, Child Support Bureau in the report entitled “Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Indiana That Were Paid Under the Medicaid Program” (A-05-02-00075, dated November 25, 2003).

# **APPENDICES**

## DETAILS ON OUR SAMPLING METHODOLOGY AND SAVINGS CALCULATIONS

### Sampling Methodology

- ✓ We used an extract from the State's IV-D database to create a universe of 33,587 Title IV-D children:
  - who were not Medicaid eligible for the entire audit period
  - whose noncustodial parents had made at least three child support payments during the audit period
- ✓ We obtained an extract from the State's SCHIP computer system identifying all children who received SCHIP benefits during the audit period.
- ✓ We tested the accuracy and completeness of the extracts from the State's IV-D database and the SCHIP systems.
- ✓ We matched the universe created from the State's IV-D database extract to the extract of children receiving SCHIP benefits to create a population of:
  - 30,817 Title IV-D children who did not receive SCHIP benefits during the audit period
  - 2,770 Title IV-D children who were enrolled in SCHIP during the audit period
- ✓ We used simple random sampling techniques to select:
  - 200 children from the population of 30,817 who did not receive SCHIP benefits during the audit period
  - 100 children from the population of 2,770 who were enrolled in SCHIP during the audit period

### Savings Calculations

- ✓ We reviewed Title IV-D agency guidelines for calculating child support payments.
- ✓ We determined, for the sampled items in each population, if the noncustodial parents:
  - had a current child support obligation
  - made three or more child support payments
  - met their current child support obligation

- ✓ We reviewed State records for sampled children to determine if the noncustodial parent was able to provide court-ordered medical support.
- ✓ We determined, for the sampled children who did not receive SCHIP benefits, the number of children who could have been eligible to receive SCHIP benefits if no other health insurance had been available. These determinations were made, in accordance with SCHIP income eligibility levels, using information from ACF's Office of Child Support Enforcement.
- ✓ We eliminated those sampled children who received private health insurance through their custodial parents even though their noncustodial parents were ordered to provide medical support. To identify these children, we relied on information in State records.
- ✓ We determined the amount of medical support that noncustodial parents could have contributed toward their children's SCHIP premiums by reducing each noncustodial parent's net monthly income by (1) the amount of monthly child support the noncustodial parent was ordered to pay and (2) the minimum self-support reserve to which the noncustodial parent was entitled. We then divided the amount available for medical support by the number of children the noncustodial parent had in our population to determine the amount available, if any, for medical support for each sampled child.
- ✓ We computed the potential savings to SCHIP by comparing the amount of medical support that the noncustodial parent could pay with the monthly SCHIP premiums that the State and Federal Governments paid on behalf of the noncustodial parent's child. The SCHIP cost represented the months in which the noncustodial parent had a current child support obligation and was unable to provide court-ordered medical support. The potential savings to SCHIP was the lower of (1) the amount of medical support that the noncustodial parent could pay, or (2) the monthly SCHIP premiums the State and Federal Governments paid on behalf of the noncustodial parent's child.
- ✓ We used attribute<sup>1</sup> and variable<sup>2</sup> appraisal programs to estimate (1) the number of children whose noncustodial parents did not provide court-ordered medical support and who could have been eligible for SCHIP if no other health insurance had been available, (2) the number of children who received SCHIP benefits because their noncustodial parents were unable to provide court-ordered medical support, and (3) the savings to SCHIP if noncustodial parents from both populations had been required to make monthly contributions toward the SCHIP premiums of their children.

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<sup>1</sup>An attribute appraisal program is a computer program that estimates the proportion of the population or the number of items in the population that have the attribute. An attribute is a characteristic that an item either has or does not have. In attribute sampling, the selected sampled items are evaluated in terms of whether they have the attribute of interest.

<sup>2</sup>A variable appraisal program is a computer program that computes a statistic from the sample values to estimate the population parameter, e.g., an estimate of the total dollar amount of error in the population. In variable sampling, the selected sampling units are evaluated with respect to a characteristic having values that can be expressed numerically or quantitatively, e.g., the dollar amount of error in a voucher.

**STATISTICAL SAMPLING INFORMATION:  
TITLE IV-D CHILDREN NOT RECEIVING SCHIP BENEFITS**

**Sampling Results  
(Federal and State Combined Costs)**

Population (Children)	Sample Size (Children)	Sampled Items With Characteristics of Interest (Children)	SCHIP Premiums (for 138 Children)	Sampled Items With <u>No</u> Savings (Children)	SCHIP Premiums (for 67 Children)	Sampled Items With Potential Savings (Children)	SCHIP Premiums (for 71 Children)	Potential SCHIP Savings (for 71 Children)
30,817	200	138	\$139,913	67	\$70,752	71	\$69,161	\$41,580

**Projection—Population of 30,817 Children  
(Federal and State Combined Costs)  
(Precision at the 90-Percent Confidence Level)**

	Items With Characteristics of Interest (Children)	SCHIP Premiums (for Items With Characteristics of Interest)	Items With <u>No</u> Savings (Children)	SCHIP Premiums (for Items With <u>No</u> Savings)	Items With Potential Savings (Children)	SCHIP Premiums (for Items With Potential Savings)	SCHIP Savings (for Items With Potential Savings)
Upper Limit	22,919	\$24,106,070	12,135	\$13,230,353	12,768	\$12,714,833	\$7,640,597
Point Estimate (Midpoint)	21,264	\$21,558,495	10,324	\$10,901,822	10,940	\$10,656,673	\$6,406,854
Lower Limit	19,477	\$19,010,920	8,626	\$8,573,290	9,212	\$8,598,513	\$5,173,111
Precision	N/A	11.82%	N/A	21.36%	N/A	19.31%	19.26%

**STATISTICAL SAMPLING INFORMATION:  
TITLE IV-D CHILDREN RECEIVING SCHIP BENEFITS**

**Sampling Results  
(Federal and State Combined Costs)**

Population (Children)	Sample Size (Children)	Sampled Items With Characteristics of Interest (Children)	SCHIP Premiums (for 35 Children)	Sampled Items With <u>No</u> Savings (Children)	SCHIP Premiums (for 20 Children)	Sampled Items With Potential Savings (Children)	SCHIP Premiums (for 15 Children)	Potential SCHIP Savings (for 15 Children)
2,770	100	35	\$16,474	20	\$7,553	15	\$8,921	\$5,878

**Projection—Population of 2,770 Children  
(Federal and State Combined Costs)  
(Precision at the 90-Percent Confidence Level)**

	Items With Characteristics of Interest (Children)	SCHIP Premiums (for Items With Characteristics of Interest)	Items With <u>No</u> Savings (Children)	SCHIP Premiums (for Items With <u>No</u> Savings)	Items With Potential Savings (Children)	SCHIP Premiums (for Items With Potential Savings)	SCHIP Savings (for Items With Potential Savings)
Upper Limit	1,203	\$593,295	764	\$302,148	610	\$360,686	\$248,984
Point Estimate (Midpoint)	970	\$456,330	554	\$209,218	416	\$247,112	\$162,821
Lower Limit	754	\$319,364	382	\$116,288	265	\$133,537	\$76,657
Precision	N/A	30.01%	N/A	44.42%	N/A	45.96%	52.92%

**ANALYSIS OF PROJECTIONS:  
TITLE IV-D CHILDREN NOT RECEIVING SCHIP BENEFITS**

As detailed in Appendix B, we estimated that 10,940 children had noncustodial parents who could have contributed \$6,406,854 toward the \$10,656,673 (Federal and State combined) in SCHIP premiums that would have been incurred if their children had been enrolled in SCHIP during our audit period. All estimates were made at the midpoint of the 90-percent confidence interval. The following table itemizes our estimates of whether the noncustodial parents could have paid all or part of the SCHIP premiums.

**Population of Title IV-D Children Not Receiving SCHIP Benefits (30,817 Children)**

	<b>Noncustodial Parent Can:</b>	<b>Sample Value</b>	<b>Projection at Midpoint</b>
Number of Children	Pay <u>part</u> of premium	48	7,396
	Pay <u>all</u> of premium	23	3,544
	<b>Total</b>	<b>71</b>	<b>10,940</b>
SCHIP Premiums	Pay <u>part</u> of premium	\$48,245	\$7,433,831
	Pay <u>all</u> of premium	20,916	3,222,842
	<b>Total</b>	<b>\$69,161</b>	<b>\$10,656,673</b>
SCHIP Savings	Pay <u>part</u> of premium	\$20,664	\$3,184,012
	Pay <u>all</u> of premium	20,916	3,222,842
	<b>Total</b>	<b>\$41,580</b>	<b>\$6,406,854</b>

**ANALYSIS OF PROJECTIONS:  
TITLE IV-D CHILDREN RECEIVING SCHIP BENEFITS**

As detailed in Appendix C, we estimated that 416 children had noncustodial parents who could have contributed \$162,821 toward the \$247,112 (Federal and State combined) in SCHIP premiums paid on behalf of their children. All estimates were made at the midpoint of the 90-percent confidence interval. The following table itemizes our estimates of whether the noncustodial parents could have paid all or part of the SCHIP premiums.

**Population of Title IV-D Children Receiving SCHIP Benefits (2,770 Children)**

	<b>Noncustodial Parent Can:</b>	<b>Sample Value</b>	<b>Projection at Midpoint</b>
Number of Children	Pay <u>part</u> of premium	9	249
	Pay <u>all</u> of premium	6	166
	<b>Total</b>	<b>15</b>	<b>416</b>
SCHIP Premiums	Pay <u>part</u> of premium	\$5,204	\$144,151
	Pay <u>all</u> of premium	3,717	102,961
	<b>Total</b>	<b>\$8,921</b>	<b>\$247,112</b>
SCHIP Savings	Pay <u>part</u> of premium	\$2,161	\$59,860
	Pay <u>all</u> of premium	3,717	102,961
	<b>Total</b>	<b>\$5,878</b>	<b>\$162,821</b>



*"People  
helping people  
help  
themselves"*

Frank O'Bannon, Governor  
State of Indiana

**Office of Medicaid Policy and Planning**  
402 W. WASHINGTON STREET ROOM W382  
INDIANAPOLIS, IN 46204-2729

John Hamilton, Secretary

Paul Swanson  
Regional Inspector General for Audit Services  
DHHS – Office of Audit Services  
233 North Michigan Avenue  
Chicago, Illinois 60601

Dear Mr. Swanson:

Below please find my comments on the OIG draft report entitled "Using State Child Support Enforcement (IV-D) Agencies to Increase SCHIP Enrollment" (Report Number A-05-02-00073). These are in addition to the comments you have already received from Karla Mantia, Deputy Director of the Child Support Bureau in our Division of Family and Children. I have also faxed a copy of this letter to Larry Barker in the Indianapolis Office.

- Page 1 – Background on Indiana SCHIP:
  - Delete second line. The first sentence should read "Indiana's Office of Medicaid Policy and Planning (OMPP) manages the Indiana SCHIP program."
  - Modify ninth line. Should read "children in families with incomes..."
  - Modify last sentence. Should read, "Children under either package are considered part of the State's Hoosier Healthwise Program."
- Page 2 – Co-Payments: Delete Emergency Room Visit – this co-payment has not existed for years and did not exist at the time period under study.
- Page 2 – Third paragraph under Related Legislation and Reports: First sentence should read, "... who are eligible for SCHIP."
- Page 3 – Second paragraph under Scope: Where in Indiana or Federal laws, regulations, or guidelines did you identify approval to allow NCPs to contribute directly to the SCHIP capitation payment? If a child is determined eligible for SCHIP, then the parent must pay the monthly premium appropriate for the child(ren), but parents do not contribute to the capitation payment.
- Page 4 – Findings and Recommendations: Currently, only custodial parents' income is evaluated to determine a child's eligibility for the program. The NCP could contribute to the monthly premium or pay all of it, but the determination is currently based on the custodial parent only.
- Page 5 – Potential NCP Contribution Toward SCHIP Premium: General comment - While allowing NCP to pay the entire capitation payment each month is attractive because it would not lead to as great of an increase in costs to the program as just

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having them pay the monthly premium amount, I am unsure of the feasibility of this proposal.

- Page 6 – Potential Additional NCP Contributions for SCHIP Enrollees – These paragraphs use both the words “premium” and “capitation payments” interchangeably and these are different payments. The premium payment (approx. \$17) is what we currently require the parent of Package C enrollees to contribute monthly in order for the child to be eligible. The capitation payment (approx. \$100) is the monthly amount that the state pays to a managed care organization (MCO) to cover the health care services provided to a child enrolled in that MCO. Which does this section mean to address?

Thank you for the opportunity to review this draft report. If you have additional questions for the Indiana Children's Health Insurance Program, please direct them to Ms. Elizabeth Culp at 317-234-0774 or [eculp@fsa.state.in.us](mailto:eculp@fsa.state.in.us). I have moved to a new position within the Office of Medicaid Policy and Planning and will also be on maternity leave over the next few months.

Sincerely,



Kathy Moses  
Interim SCHIP Director  
IN Family and Social Services Administration

Cc: Karla Mantis

## ACKNOWLEDGMENTS

This report was prepared under the direction of Paul Swanson, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

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John Day, Regional Advanced Audit Techniques Staff

### Other Assistance

Administration for Children and Families, Office of Child Support Enforcement