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 Michigan Under the State Children’s Health Insurance Program (A-05-02-00076)

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 Michigan 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 Michigan: 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.

Michigan 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 96,948 Title IV-D children would have been eligible to receive SCHIP benefits during the audit period of May 1, 2001 through April 30, 2002. The noncustodial parents of 22,722 of these children could have contributed $9,825,418 toward the $22,521,995 (Federal and State combined) in costs that would have been incurred if the children had been enrolled.

We also determined that 2,176 Title IV-D children received SCHIP managed care benefits during the audit period. An estimated 413 of these children had noncustodial parents who could have contributed $168,345 toward the $289,188 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

We recommend that Michigan 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 did not take exception to the findings. The State is implementing a new child support enforcement system that it anticipates will reduce the need for SCHIP benefits by increasing enrollment in employer health care coverage. After the new system is in place, the State will evaluate the cost-effectiveness of implementing our recommendations.

After issuing our draft report, we modified the 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.

If you have any questions or comments about this report, please do not hesitate to call me, or have your staff call 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. Please refer to report number A-05-02-00076 in all correspondence.

Attachment
Ms. Marianne Udow
Director
Michigan Family Independence Agency
Post Office Box 30037
Lansing, Michigan 48909

Dear Ms. Udow:

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 Michigan 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-05-02-00076 in all correspondence.

Sincerely,

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
Room 517D, Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201
REVIEW OF THE ABILITY OF NONCUSTODIAL PARENTS TO CONTRIBUTE TOWARD THE MEDICAL COSTS OF TITLE IV-D CHILDREN IN MICHIGAN UNDER THE STATE CHILDREN’S HEALTH INSURANCE PROGRAM
The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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NOTICES

This report is available to the public
at http://oig.hhs.gov

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 the HHS/OIG/OAS. Authorized officials of the 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, Michigan 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 paid on behalf of their children. As a result, Michigan and the Federal Government paid the costs incurred by children receiving SCHIP benefits.

OBJECTIVES

We reviewed two populations of Title IV-D children in Michigan: 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 May 1, 2001 through April 30, 2002.

SUMMARY OF FINDINGS

Children Potentially Without Health Insurance

Michigan 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 96,948 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 22,722 of these children had noncustodial parents who could have contributed $9,825,418 toward the $22,521,995 (Federal and State combined) in costs that would have been incurred if the children had been enrolled.
Children Who Received SCHIP Benefits

We determined that 2,176 Title IV-D children received SCHIP benefits during the audit period because their noncustodial parents were unable to provide court or administratively ordered medical support. An estimated 413 of these children had noncustodial parents who could have contributed $168,345 toward the $289,188 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

Implementation Barrier

Although Michigan has made progress in obtaining private health insurance for its children, a barrier still exists to maximizing other health insurance sources for medical support. Specifically, child support guidelines do not require noncustodial parents to contribute toward the SCHIP premiums that their Title IV-D children incur.

RECOMMENDATION

We recommend that Michigan 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 did not take exception to the findings. The State is implementing a new child support enforcement system that the State anticipates will reduce the need for SCHIP benefits by increasing enrollment in employer health care coverage. After the new system is in place, the State will evaluate the cost effectiveness of implementing our recommendations. The State’s comments are included in their entirety in Appendix F.

OFFICE OF INSPECTOR GENERAL RESPONSE

Our recommendations were modified to give the State more flexibility in taking appropriate steps to recoup SCHIP premiums from noncustodial parents who have the financial ability to pay.
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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 establishes and enforces 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 Michigan, the Office of Child Support, a division of the Family Independence Agency, administers the program.

When a child support order is established or modified, Title IV-D requires the State to seek medical support if the noncustodial parent has access to employer-sponsored health insurance at a reasonable cost. The amount of child support (both cash and medical) 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.

Michigan implemented its SCHIP program, known as MIChild, on May 1, 1998. To be eligible for the program, children must be under the age of 19, be residents of Michigan, have a family income of between 150 and 200 percent of the Federal poverty level, and have no other health insurance available (neither eligible for Medicaid nor covered by private insurance). SCHIP eligibility is based on the household income. The noncustodial parent’s income is not considered in determining eligibility.

The Michigan Department of Community Health administers SCHIP by contracting with managed care organizations to provide services to qualified recipients at negotiated capitation rates (premiums). Families pay $5 per month for program benefits. The difference between the amount paid by families and the amount charged by managed care organizations is subsidized by Federal and State funds.

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 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 costs 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 premiums 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 Michigan: 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

**Scope**

For the period of May 1, 2001 through April 30, 2002, we reviewed a statistically valid sample of:

- 200 children from a population of 151,482 Title IV-D children who did not receive SCHIP benefits
• 100 children from a population of 2,176 Title IV-D children who received SCHIP benefits

We did not review the overall internal control structure of the Office of Child Support. We did, however, review pertinent controls over the establishment and enforcement of child and medical support orders.

**Methodology**

To accomplish our objectives, we:

• reviewed Federal and State laws, regulations, policies, and procedures

• interviewed Office of Child Support 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 methodology 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. We performed fieldwork from October 2002 to January 2003.

**FINDINGS AND RECOMMENDATION**

Michigan 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 96,948 uninsured children would have been eligible to receive SCHIP benefits during the audit period if no other health insurance had been available and that 22,722 of these children had noncustodial parents who could have contributed $9,825,418 toward the $22,521,995 (Federal and State combined) in costs that would have been incurred if the children had been enrolled.

We also determined that 2,176 Title IV-D children received SCHIP managed care benefits during the audit period. An estimated 413 of these children had noncustodial parents who could have contributed $168,345 toward the $289,188 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**

Michigan has legislation requiring all new child support orders to include provisions for medical support. Michigan Common Law, Section 552.605a(2), provides that:

> . . . If a child support order is entered, the court shall require that one or both parents obtain or maintain health care coverage that is available to them at a reasonable cost, as a benefit of employment, for the benefit of the minor children of the parties and, subject to section 5b, for the benefit of the parties’ children who are not minor children. If a parent is self-employed and maintains health care coverage, the court shall require the parent to obtain or maintain dependent coverage for the benefit of the minor children of the parties and, subject to section 5b, for the benefit of the parties’ children who are not minor children, if available at a reasonable cost . . . .

Michigan also has legislation to recover from the father costs relating to the birth of a child, whether paid by the mother or the State. Michigan Common Law, Section 722.717(2), states that “. . . the order shall also provide for the payment of the necessary expenses incurred by or for the mother in connection with her confinement, . . . and for the expenses in connection with the pregnancy of the mother . . . .”

**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 the initial analysis, we eliminated 64 of the 200 sampled children from further calculations. For the remaining 136, we determined that 128 children would have been eligible to receive SCHIP benefits during the audit period if no other health insurance had been available.¹ For these children, we calculated the number of noncustodial parents who could have contributed toward the SCHIP premiums that would have been incurred if their children had been enrolled:

- The noncustodial parents of 30 of the 128 children could have contributed $12,972 toward the total costs of $29,736 (Federal and State combined). Projecting these results to the population of 151,482 children, we estimated that 22,722 children had noncustodial parents who could have contributed $9,825,418, or 44 percent of the total $22,521,995 in SCHIP premiums (Federal and State combined) 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.)

- For 98 of the 128 children, the noncustodial parents could not afford to pay any of the SCHIP premiums.

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

On the basis of our initial analysis, we eliminated 24 of the 100 sampled children from further calculations. The remaining 76 children received SCHIP benefits during the audit period because their noncustodial parents were unable to provide court-ordered medical support. For these children, we calculated the number of noncustodial parents who could have contributed toward the SCHIP premiums incurred on behalf of their children:

- The noncustodial parents of 19 of the 76 children could have contributed $7,736 toward the total SCHIP premiums of $13,290 (Federal and State combined). Projecting these results to the population of 2,176 children, we estimated that 413 children had noncustodial parents who could have contributed

¹For the remaining eight children, five had noncustodial parents providing health insurance and the other three were not eligible because their custodial parents’ income was too high to qualify for SCHIP.
$168,345, or 58 percent of the total $289,188 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 57 of the 76 children could not have afforded to pay any of the SCHIP premiums.

**Implementation Barriers**

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

- **Insufficient Child Support Guidelines.** State child support guidelines do not specifically require that noncustodial parents contribute toward SCHIP premiums. Michigan 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.

- **Budget Constraints.** Like several other States, Michigan is presently under very tight budget constraints with a projected deficit. Adding an additional 96,948 children to the SCHIP program would increase program costs by approximately $97.6 million, with the State’s share totaling $30 million.

**RECOMMENDATION**

We recommend that Michigan 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 did not take exception to the findings. The State is implementing a new child support enforcement system that the State anticipates will reduce the need for SCHIP benefits by increasing enrollment in employer health care coverage. After the new system is in place, the State will evaluate the cost effectiveness of implementing our recommendations.

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

**OFFICE OF INSPECTOR GENERAL RESPONSE**

Our recommendations were modified to give the State more flexibility in taking appropriate steps to recoup SCHIP premiums from noncustodial parents who have the financial ability to pay.
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 153,658 Title IV-D children:
   • who were not Medicaid eligible for the entire audit period
   • whose noncustodial parent 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:
   • 151,482 Title IV-D children who did not receive SCHIP benefits during the audit period
   • 2,176 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 151,482 who did not receive SCHIP benefits during the audit period
   • 100 children from the population of 2,176 who were enrolled in SCHIP during the audit period

Savings Calculations

✓ We reviewed Office of Child Support guidelines for calculating child support payments.

✓ We determined, for the sample 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 and variable appraisal programs\(^1\) 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.

\(^1\)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. 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.

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

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

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<th>Population (Children)</th>
<th>Sample Size (Children)</th>
<th>Sampled Items With Characteristics of Interest (Children)</th>
<th>SCHIP Premiums (for 128 Children)</th>
<th>Sampled Items With No Savings (Children)</th>
<th>SCHIP Premiums (for 98 Children)</th>
<th>Sampled Items With Potential Savings (Children)</th>
<th>SCHIP Premiums (for 30 Children)</th>
<th>Potential SCHIP Savings (for 30 Children)</th>
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#### Projection—Population of 151,482 Children
(Federal and State Combined Costs)
(Precision at the 90-Percent Confidence Level)

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<th>Items With Characteristics of Interest (Children)</th>
<th>SCHIP Premiums (for Items With Characteristics of Interest)</th>
<th>Items With No Savings (Children)</th>
<th>SCHIP Premiums (for Items With No Savings)</th>
<th>Items With Potential Savings (Children)</th>
<th>SCHIP Premiums (for Items With Potential Savings)</th>
<th>SCHIP Savings (for Items With Potential Savings)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Limit</td>
<td>105,499</td>
<td>$109,174,084</td>
<td>83,378</td>
<td>$86,355,408</td>
<td>29,975</td>
<td>$29,810,916</td>
<td>$13,003,349</td>
</tr>
<tr>
<td>Point Estimate (Midpoint)</td>
<td>96,948</td>
<td>$97,636,042</td>
<td>74,226</td>
<td>$75,114,046</td>
<td>22,722</td>
<td>$22,521,995</td>
<td>$9,825,418</td>
</tr>
<tr>
<td>Lower Limit</td>
<td>87,922</td>
<td>$86,098,000</td>
<td>65,108</td>
<td>$63,872,684</td>
<td>16,679</td>
<td>$15,233,075</td>
<td>$6,647,487</td>
</tr>
<tr>
<td>Precision</td>
<td>N/A</td>
<td>11.82%</td>
<td>N/A</td>
<td>14.97%</td>
<td>N/A</td>
<td>32.36%</td>
<td>32.34%</td>
</tr>
</tbody>
</table>
STATISTICAL SAMPLING INFORMATION: TITLE IV-D CHILDREN RECEIVING SCHIP BENEFITS

Sampling Results (Federal and State Combined Costs)

<table>
<thead>
<tr>
<th>Population (Children)</th>
<th>Sample Size (Children)</th>
<th>SCHIP Premiums (for 200 Children)</th>
<th>Sampled Items With Characteristics of Interest (Children)</th>
<th>SCHIP Premiums (for 76 Children)</th>
<th>Sampled Items With No Savings (Children)</th>
<th>SCHIP Premiums (for 57 Children)</th>
<th>Sampled Items With Potential Savings (Children)</th>
<th>SCHIP Premiums (for 19 Children)</th>
<th>Potential SCHIP Savings (for 19 Children)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,176</td>
<td>100</td>
<td>$54,947</td>
<td>76</td>
<td>$42,494</td>
<td>57</td>
<td>$29,204</td>
<td>19</td>
<td>$13,290</td>
<td>$7,736</td>
</tr>
</tbody>
</table>

Projection—Population of 2,176 Children (Federal and State Combined Costs) (Precision at the 90-Percent Confidence Level)

<table>
<thead>
<tr>
<th>Upper Limit</th>
<th>Items With Characteristics of Interest (Children)</th>
<th>SCHIP Premiums (for Items With Characteristics of Interest)</th>
<th>Items With No Savings (Children)</th>
<th>SCHIP Premiums (for Items With No Savings)</th>
<th>Items With Potential Savings (Children)</th>
<th>SCHIP Premiums (for Items With Potential Savings)</th>
<th>SCHIP Savings (for Items With Potential Savings)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,800</td>
<td>$1,041,162</td>
<td>$750,150</td>
<td>1,419</td>
<td>575</td>
<td>$390,115</td>
<td>$233,546</td>
<td></td>
</tr>
<tr>
<td>Point Estimate (Midpoint)</td>
<td>1,654</td>
<td>$635,479</td>
<td>1,240</td>
<td>413</td>
<td>$289,188</td>
<td>$168,345</td>
<td></td>
</tr>
<tr>
<td>1,483</td>
<td>$808,177</td>
<td>$520,808</td>
<td>1,055</td>
<td>282</td>
<td>$188,262</td>
<td>$103,144</td>
<td></td>
</tr>
<tr>
<td>Precision</td>
<td>N/A</td>
<td>12.60%</td>
<td>N/A</td>
<td>18.04%</td>
<td>N/A</td>
<td>34.90%</td>
<td>38.73%</td>
</tr>
</tbody>
</table>
ANALYSIS OF PROJECTIONS:  
TITLE IV-D CHILDREN NOT RECEIVING SCHIP BENEFITS

As detailed in Appendix B, we estimated that 22,722 children had noncustodial parents who could have contributed $9,825,418 toward the $22,521,995 (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 (151,482 Children)

<table>
<thead>
<tr>
<th></th>
<th>Noncustodial Parent Can:</th>
<th>Sample Value</th>
<th>Projection at Midpoint</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Children</strong></td>
<td>Pay part of premium</td>
<td>29</td>
<td>21,965</td>
</tr>
<tr>
<td></td>
<td>Pay all of premium</td>
<td>1</td>
<td>757</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>30</td>
<td>22,722</td>
</tr>
<tr>
<td><strong>SCHIP Premiums</strong></td>
<td>Pay part of premium</td>
<td>$28,765</td>
<td>$21,786,671</td>
</tr>
<tr>
<td></td>
<td>Pay all of premium</td>
<td>971</td>
<td>735,324</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$29,736</td>
<td>$22,521,995</td>
</tr>
<tr>
<td><strong>SCHIP Savings</strong></td>
<td>Pay part of premium</td>
<td>$12,001</td>
<td>$9,090,170</td>
</tr>
<tr>
<td></td>
<td>Pay all of premium</td>
<td>971</td>
<td>735,248</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$12,972</td>
<td>$9,825,418</td>
</tr>
</tbody>
</table>
Analysis of Projections: Title IV-D Children Receiving SCHIP Benefits

As detailed in Appendix C, we estimated that 413 children had noncustodial parents who could have contributed $168,345 toward the $289,188 (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.

<table>
<thead>
<tr>
<th>Population of Title IV-D Children Receiving SCHIP Benefits (2,176 Children)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Noncustodial Parent Can:</strong></td>
</tr>
<tr>
<td>Number of Children</td>
</tr>
<tr>
<td>Pay part of premium</td>
</tr>
<tr>
<td>Pay all of premium</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>SCHIP Premiums</td>
</tr>
<tr>
<td>Pay part of premium</td>
</tr>
<tr>
<td>Pay all of premium</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>SCHIP Savings</td>
</tr>
<tr>
<td>Pay part of premium</td>
</tr>
<tr>
<td>Pay all of premium</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
Mr. Paul Swanson
Regional Inspector General for Audit Services
Office of Audit Services
Department of Health and Human Services
233 North Michigan Avenue
Chicago, Illinois 60601

RE: Report Number A-05-02-00076
Mi-Child / Using State Child Support Enforcement (IVD) Agencies to Increase Insurance Enrollment

Dear Mr. Swanson:


The OCS has indicated its views regarding the report and the general conclusions from your Audit Services Division regarding the number of uninsured children receiving IVD services, improved information sharing between the FIA and the Michigan Department of Community Health (DCH), and the amount which non-custodial parents could contribute.

We understand, per your letter, that our response will be summarized in the body of your final report and then included in its entirety as an appendix. These reports are made available to members of the public and are not subject to exemption from the Freedom of Information Act (FOIA).

If you have any questions regarding this matter, please contact Mr. Duane Noworyta, OCS, at 517-241-7728.

Sincerely,

[Signature]

for

Nannette M. Bowler

Enclosure
That the FIA:

- Improve the coordination of information sharing between the IV-D and the SCHIP agencies throughout the SCHIP enrollment process, including informing applicants of services provided by both programs.

- Seek legislation to allow the IV-D agency to provide the CP’s financial information to the SCHIP program.

- Seek modified medical support orders to require NCPs to enroll their children in SCHIP, if health insurance is not otherwise available at reasonable cost.

- Seek to modify existing child support guidelines for determining and assessing NCPs contributions toward SCHIP premiums.

- Seek increased authority to establish medical support responsibility and to allow interstate collection when applicable.

FIA did not consider this review to be an audit but a study of the interrelationship of the SCHIP and medical support within the Michigan Child Support Program. It is our understanding that the study does not provide a basis for any financial consequences to the State of Michigan, FIA, or the program.

In that spirit we do not take exception to the findings as presented.

Michigan Child Support Program anticipates less need for enrollment in SCHIP Medicaid benefits for those children in the child support enforcement program because the enforcement of medical support will be enhanced under new Michigan Child Support Enforcement System (MiCSES 2.4). The National Medical Support Notice (a notice to withhold the employee's contribution and enroll the children in health care coverage – NMSN) will be sent in response to each New Hire hit or the entry of a new employer. There are also reports available from MiCSES of parents with employers but no insurance coverage reported.

Once the MICSES is implemented and the program improves medical support enforcement we will:

- Evaluate the existing child support guidelines and determine if changes are required.
- Evaluate the cost effectiveness of proposing this statute change.
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:

Mike Barton, Audit Manager
Mitch Collier, Senior Auditor
Kathryn Cartwright, Auditor
Mano Hardies, Auditor
Clarence Hightower, Auditor

Technical Assistance
Donna Kern, Regional Statistical Specialist
John Day, Regional Advanced Audit Techniques Staff

Other Assistance
Administration for Children and Families, Office of Child Support Enforcement