



MAY 16 2005

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Centers for Medicare & Medicaid Services

**FROM:** Daniel R. Levinson *Daniel R. Levinson*  
Acting Inspector General

**SUBJECT:** Eight-State Review of the Ability of Noncustodial Parents To Contribute  
Toward the Medical Costs of Title IV-D Children Under the State Children's  
Health Insurance Program (A-01-03-02502)

The attached final report consolidates the results of our eight-State review of the ability of noncustodial parents to contribute toward State Children's Health Insurance Program (SCHIP) costs of children who receive child support (Title IV-D children).

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 Title IV-D children are enrolled in SCHIP.

At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers SCHIP, and the Administration for Children and Families (ACF) administers the Title IV-D program.

For the most recent 1-year period available for each of the eight States selected for review, we reviewed two populations of Title IV-D children: children who were not enrolled in SCHIP and children who were 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 potentially contribute toward SCHIP premiums if their children had been enrolled and
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums.

The eight States reviewed have 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 425,752 uninsured 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 228,907 of these children had noncustodial parents who could potentially contribute \$130 million toward the \$214 million (Federal and State combined) in costs that would have been incurred if the children had been enrolled.

We also determined that 120,356 Title IV-D children received SCHIP benefits during the audit period. An estimated 34,066 of these children had noncustodial parents who could potentially contribute \$14 million toward the \$22 million in SCHIP premiums (Federal and State combined) paid on behalf of their children.

We presented our results to ACF and CMS officials, judges and magistrates, State Title IV-D directors, and other members of the child support and SCHIP communities to obtain their opinions on requiring noncustodial parents to contribute toward their children's SCHIP costs. Although the overall responses were supportive, the following implementation barriers may impede the States' ability to collect SCHIP costs from noncustodial parents:

- Unlike Federal Medicaid laws, SCHIP laws are silent with regard to an “assignment of rights” that would allow States to recover children's medical expenses from their noncustodial parents. While some States have already taken steps to collect SCHIP costs from noncustodial parents, others have questioned their authority to do so.
- Some States expressed concern about the costs of interfacing their Title IV-D and SCHIP databases and implementing administrative and policy changes to recover SCHIP costs from noncustodial parents. According to these States, they may not achieve the full savings that we identified without additional Federal funds and/or incentive payments.

We recommend that CMS:<sup>1</sup>

- issue program guidance to advise States of their authorities under Federal law to collect SCHIP costs from noncustodial parents and
- determine whether additional Federal funds are needed to assist States in interfacing their Title IV-D and SCHIP databases and in implementing a process to collect SCHIP costs from noncustodial parents and, as appropriate, provide such funds.

With respect to our first recommendation, CMS did not believe that issuing formal program guidance was necessary. According to CMS, States already have the flexibility under SCHIP to pursue noncustodial parents' contributions, and existing CMS regulations provide authority for Medicaid agencies to coordinate with State Title IV-D agencies concerning these collections. Instead of issuing formal program guidance, CMS agreed to alert States,

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<sup>1</sup>Based on ACF's response to our draft report, we no longer have recommendations directed to ACF.

through the CMS SCHIP Technical Advisory Group and regional offices, of their option to pursue the Federal and State shares of SCHIP costs. We continue to believe that issuing formal written guidance would be the best method to advise States of their authorities and to ensure a consistent understanding throughout the Department concerning States' rights to collect the Federal share of SCHIP costs from noncustodial parents.

Regarding our second recommendation, CMS commented that States already have the ability, under their 10-percent administrative SCHIP cap, to fund the administrative costs of building an infrastructure with the State Title IV-D agency. We note, however, that if States are at or near their 10-percent administrative cap, they may require additional SCHIP funds to build an interface between the Title IV-D and SCHIP databases. It may be necessary for CMS to consider alternative methods, including seeking legislative relief, to ensure that States receive adequate funds.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Acting Assistant Inspector General for Grants and Internal Activities, at (202) 619-1159 or through e-mail at [Joe.Green@oig.hhs.gov](mailto:Joe.Green@oig.hhs.gov). Please refer to report number A-01-03-02502 in all correspondence.

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

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



**MAY 2005  
A-01-03-02502**

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## **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.

At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers SCHIP, and the Administration for Children and Families (ACF) administers the Title IV-D program.

### **OBJECTIVES**

For the most recent 1-year period available for each of the eight States selected for review, we reviewed two populations of Title IV-D children: children who were not enrolled in SCHIP and children who were 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 potentially contribute toward SCHIP premiums if their children had been enrolled and
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums.

### **SUMMARY OF FINDINGS**

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

The eight States reviewed have 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 425,752 uninsured 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 228,907 of these children had noncustodial parents who could potentially contribute \$130 million toward the \$214 million (Federal and State combined) in costs that would have been incurred if the children had been enrolled.

## **Children Who Received State Children’s Health Insurance Program Benefits**

We determined that 120,356 Title IV-D children received SCHIP services during the audit period. An estimated 34,066 of these children had noncustodial parents who could potentially contribute \$14 million toward the \$22 million in SCHIP premiums (Federal and State combined) paid on behalf of their children.

### **Implementation Barriers**

Unlike Federal Medicaid laws, SCHIP laws are silent with regard to an “assignment of rights” that would allow States to recover children’s medical expenses from their noncustodial parents. While some States have already taken steps to collect SCHIP costs from noncustodial parents, others have questioned their authority to do so.

Also, some States expressed concern about the costs of interfacing their Title IV-D and SCHIP databases and implementing administrative and policy changes to recover SCHIP costs from noncustodial parents. According to these States, they may not achieve the full savings that we identified without additional Federal funds and/or incentive payments.

### **RECOMMENDATIONS**

We recommend that CMS:

- issue program guidance to advise States of their authorities under Federal law to collect SCHIP costs from noncustodial parents and
- determine whether additional Federal funds are needed to assist States in interfacing their Title IV-D and SCHIP databases and in implementing a process to collect SCHIP costs from noncustodial parents and, as appropriate, provide such funds.

### **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

CMS’s and ACF’s comments on our draft report are attached as Appendixes E and F, respectively. Based on ACF’s response, we no longer have recommendations directed to ACF.

With respect to our first recommendation, CMS did not believe that issuing formal program guidance was necessary. According to CMS, States already have the flexibility under SCHIP to pursue noncustodial parents’ contributions, and existing CMS regulations provide authority for Medicaid agencies to coordinate with State Title IV-D agencies concerning these collections. Instead of issuing formal program guidance, CMS agreed to alert States, through the CMS SCHIP Technical Advisory Group and regional offices, of their option to pursue the Federal and State shares of SCHIP costs. We continue to believe that issuing formal written guidance would be the best method to advise States of their authorities and to ensure a consistent understanding throughout the Department concerning States’ rights to collect the Federal share of SCHIP costs from noncustodial parents.

Regarding our second recommendation, CMS commented that States already have the ability, under their 10-percent administrative SCHIP cap, to fund the administrative costs of building an infrastructure with the State Title IV-D agency. We note, however, that if States are at or near their 10-percent administrative cap, they may require additional SCHIP funds to build an interface between the Title IV-D and SCHIP databases. It may be necessary for CMS to consider alternative methods, including seeking legislative relief, to ensure that States receive adequate funds.

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## **INTRODUCTION**

### **BACKGROUND**

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

The Child Support Enforcement program was established in 1975 pursuant to Title IV-D of the Social Security Act (the Act). The program provides authority to establish and enforce child and medical support 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.

When a child support order is established or modified, the State is required 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. Medical support orders are not enforceable when employers do not provide health insurance or it is too costly for the noncustodial parents. Consequently, some children who receive child support (Title IV-D children) are enrolled in the State Children's Health Insurance Program (SCHIP).

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

The Balanced Budget Act of 1997 established SCHIP under Title XXI of the Act. This program, which the Centers for Medicare & Medicaid Services (CMS) administers at the Federal level, 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. SCHIP offers States three options when designing a program: using SCHIP funds to expand Medicaid eligibility to children who previously did not qualify for Medicaid, establishing a separate child health program, or using a combination of both. This report focuses on eight States with separate child health programs.

States provide SCHIP services through various delivery systems, including managed care organizations, fee-for-service arrangements, primary case care management arrangements, or a combination of the above. Managed care charges are based on a premium that varies by age, gender, and location of the child. The cost of coverage paid by the eight States that we reviewed ranged from \$28 to \$220 per month per child for children ages 1 through 18. Seven of the eight States charged a part of these premiums to individuals based on the household income and other factors. The noncustodial parent's income is not considered in this determination.

#### **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 potentially contribute approximately \$10.9 million (\$7.1 million Federal share) toward the costs of enrolling these children in SCHIP. We recommended that Connecticut enact legislative change that would allow the Title IV-D agency to share

custodial parents' financial information when the noncustodial parents enroll their children in SCHIP. We also recommended that Connecticut (1) modify prior medical support orders to require noncustodial parents to enroll their children in SCHIP when other health insurance is not available at a reasonable cost and (2) modify child support guidelines to assess the ability of noncustodial parents to contribute toward the SCHIP costs 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 Indiana, Michigan, New Jersey, New York, 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 eight States: children who were not enrolled in SCHIP and children who were 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 potentially contribute toward SCHIP premiums if their children had been enrolled and
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums.

### **Scope**

We selected the eight States, including both large and small populations, to obtain a fair representation of operations and demographics in States with separate child health programs. ACF and CMS agreed with our selections.

For the 8 States selected, we reviewed a statistically valid sample of:

- 1,700 children from a population of 947,597 Title IV-D children who did not receive SCHIP benefits and

- 900 children from a population of 120,356 Title IV-D children who received SCHIP benefits.

We did not review the overall internal control structure of the State Title IV-D agencies. Our internal control review was limited to obtaining an understanding of the process used to enforce medical support orders.

For each State, we reviewed the most recent 1-year period for which information was available. Appendix A summarizes the audit period and fieldwork dates for each State reviewed.

## **Methodology**

To accomplish our objectives, we:

- reviewed Federal and State laws, regulations, policies, and procedures;
- interviewed officials of the various State Title IV-D agencies;
- examined State and county records related to sampled items;
- tested the accuracy and completeness of data obtained;
- eliminated from our analyses children who were eligible for Medicaid based on State Medicaid eligibility determinations;
- identified noncustodial parents who met our review criteria; and
- 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. Appendixes B and C provide details on our sampling results and projections.

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

## **FINDINGS AND RECOMMENDATIONS**

The eight States reviewed have 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 425,752 uninsured 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 228,907 of these children had noncustodial parents who could potentially contribute \$130 million toward the \$214 million (Federal and State combined) in costs that would have been incurred if the children had been enrolled.

We also determined that 120,356 Title IV-D children received SCHIP services during the audit period in the 8 States reviewed. An estimated 34,066 of these children had noncustodial parents who could potentially contribute \$14 million toward the \$22 million in SCHIP premiums (Federal and State combined) paid on behalf of their children.

Overall, the eight States' responses to these findings were supportive. However, some States have questioned whether they are authorized to collect SCHIP costs from noncustodial parents, and some States expressed concern about the costs of implementing a process for recovering such costs.

## **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. Pursuant to 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 SCHIP, is silent with regard to collecting SCHIP costs from noncustodial parents who have a medical support order.

Although the intent of most 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**

Each of the eight States reviewed enacted State laws to administer the Title IV-D and SCHIP programs through separate agencies. (See Appendix D.)

## **SAMPLE RESULTS AND PROJECTIONS**

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

We analyzed the sampled children in each population for each of the eight States to identify those noncustodial parents who, during the audit period:

- had a current child support obligation,
- made a minimum of three child support payments, and
- were ordered to provide medical support but were unable to 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. We also eliminated children who were not eligible for SCHIP because they were Medicaid eligible, they had private health insurance, or their family income was too high to qualify for SCHIP.

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

On the basis of our initial analysis, we eliminated 849 of the 1,700 sampled children from further calculations. For the remaining 851 children, we calculated the amounts that noncustodial parents could potentially contribute toward the SCHIP premiums if their children had been enrolled:

- The noncustodial parents of 489 children could potentially contribute \$347,167 toward the total SCHIP premiums of \$505,620 (Federal and State combined). Projecting these results to the population of 947,597 children in the 8 States, we estimated that 425,752 children would have been eligible to receive SCHIP benefits. An estimated 228,907 of these children had noncustodial parents who could potentially contribute \$130 million, or 61 percent, of the total \$214 million in SCHIP costs (Federal and State combined) that would have been incurred if these children had been enrolled in the program. (See Appendix B for detailed sampling results and projections.)
- The noncustodial parents of 362 children could not contribute toward the SCHIP premiums.

### **Detailed Analysis of Children Who Received State Children's Health Insurance Program Benefits**

On the basis of our initial analysis, we eliminated 336 of the 900 sampled children from further calculations. For the remaining 564 children, we calculated the amount that noncustodial parents could potentially contribute toward the SCHIP premiums incurred on behalf of their children:

- The noncustodial parents of 300 children could potentially contribute \$187,402 toward the total SCHIP premiums of \$265,737 (Federal and State combined). Projecting these results to the population of 120,356 children in the 8 States, we estimated that 34,066 children had noncustodial parents who could potentially contribute \$14 million, or 64 percent, of the total \$22 million in SCHIP premiums (Federal and State combined). (See Appendix C for detailed sampling results and projections.)
- The noncustodial parents of 264 children could not contribute toward the SCHIP premiums.

### **Summary of Analyses**

We compared our sample results for Title IV-D children eligible for SCHIP benefits with the results for Title IV-D children already enrolled in the program. We found that noncustodial

parents could cover 61 percent of the SCHIP costs for Title IV-D children eligible for SCHIP benefits and 64 percent of the SCHIP costs for Title IV-D children already enrolled in SCHIP.

These results indicate that a significant proportion of noncustodial parents could potentially contribute toward the costs of SCHIP if the States elected to enroll eligible Title IV-D children in the program and recover the program costs.

## **IMPLEMENTATION BARRIERS**

### **Assignment of Rights**

Unlike Federal Medicaid laws, SCHIP laws under Title XXI are silent with regard to an “assignment of rights” that would allow States to recover medical costs from established third parties, including noncustodial parents.

Generally, custodial parents have the right to obtain medical support for their children from noncustodial parents. Under Medicaid’s assignment-of-rights provision, custodial parents may transfer to the State Medicaid agency the right to seek medical support and/or reimbursement for medical expenses. The State Medicaid agency, in turn, may use this transferred authority to recover medical costs from noncustodial parents.

Because the SCHIP law does not include such an assignment-of-rights provision, some States have questioned whether they are authorized to collect SCHIP costs from third parties. Three of the eight States we reviewed have already begun to recover SCHIP costs. They developed the following approaches:

- Connecticut recovered both Medicaid and SCHIP costs (Federal and State shares) from noncustodial parents.
- New York recovered certain Medicaid costs (Federal and State shares) and SCHIP costs (State share) from noncustodial parents.
- Texas recovered Medicaid costs (Federal and State shares) and SCHIP costs (custodial parent contributions) from noncustodial parents.

### **Implementation Costs**

Some States expressed concern about the costs of revamping their computer systems to interface their Title IV-D and SCHIP databases, as well as the costs of implementing administrative and policy changes to recover SCHIP costs from noncustodial parents. According to these States, they may not achieve the full savings that we identified without additional Federal funds and/or incentive payments. For example:

- Virginia officials informed us that their Title IV-D computer system did not have the capability to interface with the State SCHIP computer files. They said that such an interface would be necessary to collect SCHIP costs from noncustodial parents.

- North Carolina officials indicated that a State legislative or policy change would be required and that the amount of Federal participation in program costs would have a very significant impact on the Title IV-D agency's recommendations to the North Carolina General Assembly.

## **RECOMMENDATIONS**

We recommend that CMS:

- issue program guidance to advise States of their authorities under Federal law to collect SCHIP costs from noncustodial parents and
- determine whether additional Federal funds are needed to assist States in interfacing their Title IV-D and SCHIP databases and in implementing a process to collect SCHIP costs from noncustodial parents and, as appropriate, provide such funds.

## **CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

CMS's comments on our draft report are included in their entirety as Appendix E. We have summarized and responded to those comments below. CMS also provided technical comments, which we incorporated in this final report as appropriate.

### **Program Guidance**

CMS did not believe that issuing formal program guidance was necessary. According to CMS, States already have the flexibility under SCHIP to pursue noncustodial parents' contributions, and existing CMS regulations provide authority for Medicaid agencies to coordinate with State Title IV-D agencies concerning these collections. Instead of issuing formal program guidance, CMS agreed to alert States, through the CMS SCHIP Technical Advisory Group and regional offices, of their option to pursue the Federal and State shares of SCHIP costs.

We agree that States have the option to collect the Federal and State shares of SCHIP costs from noncustodial parents. However, because Title XXI does not include an assignment-of-rights provision, we continue to believe that issuing formal written guidance would be the best method to advise States of their authorities and to ensure a consistent understanding throughout the Department concerning States' rights to collect the Federal share of SCHIP costs from noncustodial parents.

### **Federal Funding**

CMS commented that States already have the ability, under their 10-percent administrative SCHIP cap, to fund the administrative costs of building an infrastructure with the State Title IV-D agency.

We note, however, that if States are at or near their 10-percent administrative cap, they may require additional SCHIP funds to build an interface between the Title IV-D and SCHIP

databases. It may be necessary for CMS to consider alternative methods, including seeking legislative relief, to ensure that States receive adequate funds.

## **ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

ACF's comments on our draft report are included in their entirety as Appendix F. We have summarized and responded to those comments below.

### **Federal Funding**

ACF stated that Title IV-D funds matched at the Federal reimbursement rate of 66 percent were available to collect SCHIP premiums from noncustodial parents and to enhance State Title IV-D systems for interfacing with SCHIP programs. Based on these comments, we no longer have recommendations directed to ACF.

### **Federal Share of Cash Collections**

ACF stated that Federal regulations allowed the collection of cash medical support from noncustodial parents. ACF believed, however, that only the medical costs or insurance premium costs incurred by custodial parents could be recovered from noncustodial parents. ACF also believed that a change in Federal statute would be needed to create a Federal share of cash medical support.

We believe, as does CMS, that current CMS regulations authorize State Medicaid agencies to coordinate with State Title IV-D agencies to collect monies from noncustodial parents. The general principles of Medicaid collections from noncustodial parents apply to SCHIP, and any monies collected would apply to both the Federal and State shares. However, because Title XXI is silent on this issue, we have recommended that CMS issue formal guidance to clarify any misconceptions.

### **Ability of Noncustodial Parents To Enroll Their Children**

Regarding a related report in Connecticut (A-01-01-02500), ACF raised concerns about our recommendation that noncustodial parents enroll their children in SCHIP. ACF said that this practice would cause the noncustodial parent's income to be used in determining the family's ability to contribute toward SCHIP premiums.

We have revised the language in this report to clarify that our recommendations called for noncustodial parents in Connecticut to enroll their children in SCHIP and for the State Title IV-D agency to provide custodial parents' information to SCHIP to determine the family's eligibility. We recommended that the noncustodial parents be required to enroll their children on behalf of the custodial parents to streamline recovery of SCHIP premiums from the noncustodial parents.

**OTHER MATTER: USE OF STATE CHILDREN'S HEALTH  
INSURANCE PROGRAM BENEFITS**

As requested by CMS, we determined that 562 of the 900 sampled Title IV-D children enrolled in SCHIP received medical services in the year tested. The number of visits for the 562 children averaged 8, and the number of services provided averaged 14.

# **APPENDIXES**

## DETAILS ON OUR AUDIT PERIOD, FIELDWORK, SAMPLING METHODOLOGY, AND SAVINGS CALCULATIONS

The audit period for each of the eight States covered the most recent 1-year period, as follows:

State	Audit Period	Fieldwork		Report Number
		Start	End	
CT	March 2000 – February 2001	06/2001	10/2001	A-01-01-02500
IN	June 2001 – May 2002	06/2002	01/2003	A-05-02-00073
MI	May 2001 – April 2002	10/2002	01/2003	A-05-02-00076
NC	June 2001 – May 2002	11/2002	04/2003	A-04-02-00014
NJ	September 2001 – August 2002	10/2002	02/2003	A-02-02-02007
NY	January 2001 – December 2001	08/2002	02/2003	A-02-02-02005
TX	June 2001 – May 2002	11/2002	05/2003	A-06-02-00068
VA	June 2001 – May 2002	06/2002	05/2003	A-03-02-00203

### SAMPLING METHODOLOGY

We used an extract from each of the 8 Title IV-D agencies to create a universe of 1,067,953 Title IV-D children:

- who were not Medicaid eligible during the audit period and
- whose noncustodial parents had made at least 3 child support payments during the audit period.

We obtained an extract from each of the eight State Children's Health Insurance Program (SCHIP) agencies identifying all children who received SCHIP benefits during the audit period.

We tested the accuracy and completeness of the extracts from all eight Title IV-D agencies and SCHIP agencies.

We matched the universe created by the 8 Title IV-D agencies to the universe of children receiving SCHIP benefits to create a population of:

- 947,597 Title IV-D children who did not receive SCHIP benefits during the audit period and
- 120,356 Title IV-D children who were enrolled in SCHIP during the audit period.

We used simple random sampling techniques to select:

- 1,700 children from the population of 947,597 who did not receive SCHIP benefits during the audit period and

- 900 children from the population of 120,356 who were enrolled in SCHIP during the audit period.

## **SAVINGS CALCULATIONS**

We used State statutes for calculating child support payments and met with officials of each of the eight Title IV-D agencies to obtain an understanding of the child support enforcement computer system and how to access the data we needed to complete our audit.

We determined, for the sampled items in each population, whether the noncustodial parents:

- had a current child support obligation,
- made three or more child support payments, and
- met their current child support obligation.

We eliminated from our detailed analysis those sampled children whose noncustodial parents lacked one or more of the above attributes. We also eliminated children who were not eligible for SCHIP because they were Medicaid eligible, they had private health insurance, or their family income was too high to qualify for SCHIP.

We reviewed State and county records for sampled children to determine whether the noncustodial parents were able to provide court-ordered medical support.

We determined, for the sampled children who did not receive SCHIP benefits, the number of children who would have been eligible to receive SCHIP benefits if no other health insurance had been available. We made these determinations in accordance with SCHIP income eligibility levels, using information from the State SCHIP agencies.

Using State child support guidelines, we determined the amount of medical support, if any, that noncustodial parents could potentially contribute toward their children's SCHIP premiums by dividing the amount available for medical support by the number of children that each noncustodial parent had in our population.

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 Federal and State 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 costs that the Federal and State 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 would 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 costs 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 STATE CHILDREN'S  
HEALTH INSURANCE PROGRAM BENEFITS**

State	Title IV-D Children		Sampled Uninsured Title IV-D Children Who Are SCHIP Eligible	Projected Uninsured Title IV-D Children Who Are SCHIP Eligible at Midpoint	90-Percent Confidence Level	
	Population Size	Sample Size			Lower Limit	Upper Limit
CT	21,631	200	107	11,573	10,267	12,861
IN	30,817	200	138	21,264	19,477	22,919
MI	151,482	200	128	96,948	87,922	105,499
NC	58,131	200	106	30,809	27,294	34,286
NJ	100,524	200	127	63,833	57,834	69,527
NY	291,134	300	74	71,813	59,999	84,726
TX	257,771	200	89	114,708	99,404	130,329
VA	36,107	200	82	14,804	12,700	16,980
<b>Total</b>	<b>947,597</b>	<b>1,700</b>	<b>851</b>	<b>425,752</b>		

State	Title IV-D Children		Sampled Noncustodial Parents With Financial Ability To Contribute Toward SCHIP Costs	Projected Noncustodial Parents With Financial Ability To Contribute at Midpoint	90-Percent Confidence Interval	
	Population Size	Sample Size			Lower Limit	Upper Limit
CT	21,631	200	87	9,410	7,541	11,557
IN	30,817	200	71	10,940	9,212	12,768
MI	151,482	200	30	22,722	16,679	29,975
NC	58,131	200	71	20,637	17,372	24,090
NJ	100,524	200	74	37,194	31,478	43,203
NY	291,134	300	38	36,877	28,035	47,362
TX	257,771	200	63	81,198	67,234	96,233
VA	36,107	200	55	9,929	8,068	11,973
<b>Total</b>	<b>947,597</b>	<b>1,700</b>	<b>489</b>	<b>228,907</b>		

**APPENDIX B**

Page 3 of 4

State	Title IV-D Children		Sampled Noncustodial Parents With Financial Ability To Contribute Toward SCHIP Costs	Projected Noncustodial Parents' Contributions Toward SCHIP Costs at Midpoint	90-Percent Confidence Level	
	Population Size	Sample Size			Lower Limit	Upper Limit
CT	21,631	200	87	\$12,834,430	\$10,389,326	15,279,532
IN	30,817	200	71	6,406,854	5,173,111	7,640,597
MI	151,482	200	30	9,825,418	6,647,487	13,003,349
NC	58,131	200	71	16,411,512	13,124,749	19,698,275
NJ	100,524	200	74	17,536,074	14,041,827	21,030,322
NY	291,134	300	38	22,260,226	15,232,453	29,287,999
TX	257,771	200	63	39,701,361	30,467,817	48,934,905
VA	36,107	200	55	5,209,038	3,894,416	6,523,659
<b>Total</b>	<b>947,597</b>	<b>1,700</b>	<b>489</b>	<b>\$130,184,913</b>		

**APPENDIX B**

State	Title IV-D Children		Sampled Noncustodial Parents With Financial Ability To Contribute Toward SCHIP Costs	Projected SCHIP Costs at Midpoint	90-Percent Confidence Level	
	Population Size	Sample Size			Lower Limit	Upper Limit
CT	21,631	200	87	\$14,293,008	\$11,378,292	\$17,210,723
IN	30,817	200	71	10,656,673	8,598,513	12,714,833
MI	151,482	200	30	22,521,995	15,233,075	29,810,916
NC	58,131	200	71	24,902,030	20,634,442	29,169,618
NJ	100,524	200	74	28,166,781	23,525,299	32,808,264
NY	291,134	300	38	40,687,355	29,880,755	51,493,954
TX	257,771	200	63	65,097,939	50,708,447	79,487,432
VA	36,107	200	55	7,297,284	5,608,158	8,986,411
<b>Total</b>	<b>947,597</b>	<b>1,700</b>	<b>489</b>	<b>\$213,623,065</b>		

**STATISTICAL SAMPLING INFORMATION:  
TITLE IV-D CHILDREN RECEIVING STATE CHILDREN'S  
HEALTH INSURANCE PROGRAM BENEFITS**

State	Title IV-D Children		Sampled Noncustodial Parents With Financial Ability To Contribute Toward SCHIP Costs	Projected Noncustodial Parents With Financial Ability To Contribute at Midpoint	90-Percent Confidence Level	
	Population Size	Sample Size			Lower Limit	Upper Limit
CT	392	100	68	267	237	293
IN	2,770	100	15	416	265	610
MI	2,176	100	19	413	282	575
NC	8,776	100	42	3,686	2,957	4,446
NJ	6,120	100	36	2,203	1,718	2,727
NY	64,986	200	38	12,347	9,463	15,687
TX	34,020	100	42	14,288	11,451	17,249
VA	1,116	100	40	446	358	540
<b>Total</b>	<b>120,356</b>	<b>900</b>	<b>300</b>	<b>34,066</b>		

State	Title IV-D Children		Sampled Noncustodial Parents With Financial Ability To Contribute Toward SCHIP Costs	Projected Noncustodial Parents' Contributions Toward SCHIP Costs at Midpoint	90-Percent Confidence Level	
	Population Size	Sample Size			Lower Limit	Upper Limit
CT	392	100	68	\$346,532	\$307,105	\$385,959
IN	2,770	100	15	162,821	76,657	248,984
MI	2,176	100	19	168,345	103,144	233,546
NC	8,776	100	42	1,913,086	1,404,153	2,422,018
NJ	6,120	100	36	961,302	690,952	1,231,652
NY	64,986	200	38	5,119,668	3,454,844	6,784,492
TX	34,020	100	42	5,031,527	3,552,834	6,510,221
VA	1,116	100	40	193,453	144,298	242,608
<b>Total</b>	<b>120,356</b>	<b>900</b>	<b>300</b>	<b>\$13,896,734</b>		

State	Title IV-D Children		Sampled Noncustodial Parents With Financial Ability To Contribute Toward SCHIP Costs	Projected SCHIP Costs at Midpoint	90-Percent Confidence Level	
	Population Size	Sample Size			Lower Limit	Upper Limit
CT	392	100	68	\$417,621	\$376,286	\$458,956
IN	2,770	100	15	247,112	133,537	360,686
MI	2,176	100	19	289,188	188,262	390,115
NC	8,776	100	42	3,626,882	2,814,347	4,439,417
NJ	6,120	100	36	1,279,706	947,020	1,612,392
NY	64,986	200	38	9,277,486	6,738,017	11,816,955
TX	34,020	100	42	6,479,854	4,685,992	8,273,716
VA	1,116	100	40	303,041	230,704	375,377
<b>Total</b>	<b>120,356</b>	<b>900</b>	<b>300</b>	<b>\$21,920,890</b>		

**STATE PROFILES****CONNECTICUT**

In Connecticut, the Bureau of Child Support Enforcement administers the Child Support Enforcement program. However, the State's judicial branch enforces child and medical support orders under a cooperative agreement with the Bureau.

The Connecticut Medicaid Policy Administration administers SCHIP, which is known as HUSKY. To enroll in HUSKY, a parent contacts the enrollment broker and fills out an application detailing the household income. Children enrolled in HUSKY receive benefits through managed care organizations under contracts with the Medicaid Policy Administration. Depending on household income, parent(s) pay between \$0 and \$200 in monthly premiums to the managed care facility. Federal and State funds subsidize the difference between the amount that families pay and the amount that managed care organizations charge. However, Connecticut law provides for ordering noncustodial parents to pay part or all of the premiums paid on behalf of their children.

**INDIANA**

The Indiana Family and Social Services Agency, Division of Family and Children's Services administers the Child Support Enforcement program. Indiana's Office of Medicaid Policy and Planning manages SCHIP as part of the Hoosier Healthwise program.

SCHIP was implemented in two phases. Phase I expanded Medicaid to children under 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 expansion program, provides coverage to children with family incomes between 150 and 200 percent of the Federal poverty level. Families pay \$11, \$16.50, or \$24.75 per month based on income and number of children. Federal and State funds subsidize the difference between the amount that families pay and the amount that managed care organizations charge.

**MICHIGAN**

In Michigan, the Family Independence Agency, Office of Child Support administers the Child Support Enforcement program. The Michigan Department of Community Health administers SCHIP, which is known as MICHild. 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.

Under a contract with the Department of Community Health, managed care organizations provide SCHIP services to qualified recipients at negotiated capitation rates (premiums). Families pay \$5 per month for program benefits. Federal and State funds subsidize the difference between the amount that families pay and the amount that managed care organizations charge.

**NEW JERSEY**

In New Jersey, the Department of Human Services, Division of Family Development, Office of Child Support and Paternity administers the Child Support Enforcement program.

The Department of Human Services, Division of Medical Assistance and Health Services administers SCHIP, known as NJ FamilyCare, by contracting with managed care organizations to provide services to qualified recipients at negotiated premiums. Some families contribute toward the monthly premiums based on their income; however, for many families, NJ FamilyCare is free.

**NEW YORK**

In New York, the Office of Temporary and Disability Assistance, Division of Child Support Enforcement administers the Child Support Enforcement program.

The New York State Department of Health administers SCHIP, known as Child Health Plus, by contracting with managed care organizations to provide services to qualified recipients at negotiated premiums. To be eligible for the program, children must be under the age of 19, be residents of New York State, and have no other health insurance available (neither eligible for Medicaid nor covered by private insurance). SCHIP is free for many families; however, families with higher incomes pay a monthly premium of \$9 or \$15 per month per child. Federal and State funds subsidize the difference between the amount that families pay and the amount that managed care organizations charge. If a family's income is more than 2.5 times the Federal poverty level, the family pays the managed care organization's full monthly premium. New York law requires noncustodial parents with sufficient means to contribute toward the custodial parents' share of the premiums.

**NORTH CAROLINA**

In North Carolina, the Division of Social Services, Child Support Enforcement Office administers the Child Support Enforcement program.

The North Carolina Department of Health and Human Services, Division of Medical Assistance administers SCHIP. The North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan administers and processes SCHIP claims. In return, the State Department of Health and Human Services makes premium payments to the plan. SCHIP has a \$50 annual enrollment fee per child with a maximum of \$100 per family. Also, families at the higher end of the income scale pay certain out-of-pocket costs. For those at 150 percent of the Federal poverty level and below, there are no out-of-pocket costs.

**TEXAS**

In Texas, the Office of the Attorney General, Child Support Division administers the Child Support Enforcement program.

The Texas Health and Human Services Commission (the Commission) is the primary agency responsible for administering SCHIP. The Commission has delegated to the Texas Department of Health the responsibility for managing the program contractors, including 12 health maintenance organizations and 1 exclusive provider organization, that provide services to qualified recipients at negotiated premiums. Premiums charged to the family are based on household income. Depending on their income, families pay monthly premiums of \$15 to \$25 to cover all children in the family. In addition, most families have copayments for doctor visits, prescription drugs, and emergency care. Texas requires noncustodial parents to reimburse custodial parents for monthly premiums or other expenses incurred as a result of their children's participation in SCHIP.

**VIRGINIA**

In Virginia, the Department of Social Services, Division of Child Support Enforcement administers the Child Support Enforcement program.

In Virginia, SCHIP is known as the Family Access to Medical Insurance Security program. The Department of Medical Assistance Services administers SCHIP through established fee-for-service schedules or by contracting with managed care organizations to provide services to qualified recipients at negotiated premiums. Families pay \$15 a month for each child, limited to a total of \$45 for each family. Families are also responsible for coinsurance for some SCHIP services. Federal and State funds subsidize the difference between the amount that families pay and the total amount of SCHIP expenditures.



DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Centers for Medicare &amp; Medicaid Services

FEB 18 2005

RECEIVED  
Administrator  
Washington, DC 20201  
2005 FEB 18 11 5 04  
OFFICE OF INSPECTOR  
GENERAL

**TO:** Daniel R. Levinson  
Acting Inspector General  
Office of Inspector General

**FROM:** Mark B. McClellan, M.D., Ph.D.  
Administrator *MM*

**SUBJECT:** Office of Inspector General (OIG) Draft Report, "Eight-State Review of the Ability of Noncustodial Parents to Contribute Toward the Medical Costs of Title IV-D Children Under the State Children's Health Insurance Program (SCHIP)" (A-01-03-02502)

Thank you for the opportunity to review and comment on the OIG draft report entitled, "Eight-State Review of the Ability of Noncustodial Parents to Contribute Toward the Medical Costs of Title IV-D Children Under the State Children's Health Insurance Program (SCHIP)."

The OIG reviewed the ability of noncustodial parents to contribute to the costs of coverage for children in SCHIP in eight states. The OIG found that there are children in the title IV-D program (state programs that facilitate child support payments) that are potentially eligible for SCHIP and that there are a number of children enrolled in SCHIP whose noncustodial parents could potentially contribute toward SCHIP premiums. The OIG recommended that the Centers for Medicare & Medicaid Services (CMS) issue program guidance to advise states of their authority under Federal law to collect SCHIP costs from noncustodial parents, that the Administration for Children and Families (ACF) and CMS should determine whether additional Federal funds are needed by states to interface their title IV-D and SCHIP databases and implement a process to collect SCHIP costs from noncustodial parents, and provide such Federal funds as appropriate.

#### **Recommendation**

OIG recommended that CMS issue program guidance to advise states of their authorities under Federal law to collect SCHIP costs from noncustodial parents.

#### **Response**

We agree that all uninsured families should be encouraged to apply for Medicaid and SCHIP by both state title IV-D agencies and the Department of Health and Human Services. And, we concur that states should maximize the funding that is available for the health coverage of children by seeking payments from noncustodial parents for the health care costs of their

Page 2 – Daniel R. Levinson

children, for which they are responsible. States already have the flexibility under SCHIP to choose to pursue noncustodial parents' contributions. Existing CMS regulations (42 CFR 433.151) provide authority for Medicaid agencies to coordinate with state IV-D agencies for these collections. This provision also applies to SCHIP in that states have the authority through state law child support provisions to create payment obligations from noncustodial parents as long as they are not inconsistent with the purpose of Medicaid or SCHIP. We would note that any monies collected from the noncustodial parent would apply to both the Federal and state share. And, while we do not believe that issuing formal program guidance is necessary, we will alert states to their option to pursue these funds through our SCHIP Technical Advisory Group and through our Regional Offices. We note that the Office of Child Support Enforcement is planning Regional office meetings during the 2005 budget cycle and will invite the Center for Medicaid and State Operations' staff along with state Medicaid and SCHIP directors and focus on collaborative issues between state IV-D agencies and Medicaid and SCHIP agencies, thereby creating a forum to discuss this option with states.

We agree that promoting collections from noncustodial parents could lead to budget savings for states and the Federal government. We note that the President's fiscal year 2006 budget proposes that all states review child support orders for Temporary Assistance to Needy Families every three years. Under current law, states review child support orders every three years, if instructed to do so by the custodial parent, or at the state's own discretion. This change would mandate that states undertake these reviews. The Administration believes that required reviews would result in the discovery of increased levels of private health insurance among noncustodial parents that could be used to extend coverage to their children. Moreover, the budget proposal would allow states to seek medical support for children from both the custodial and noncustodial parents, which would also result in budget savings.

#### **Recommendation**

OIG recommended that ACF and CMS (1) determine whether additional Federal funds are needed to assist states in interfacing their Title IV-D and SCHIP databases and in implementing a process to collect SCHIP costs from noncustodial parents and (2) provide such funds as appropriate.

#### **Response**

The study's second recommendation is to provide states with additional funding to assist states in interfacing their title IV-D and SCHIP databases to implement a process for collecting SCHIP costs from noncustodial parents. Since states already have the ability in SCHIP to fund administrative costs under their 10 percent administrative cap, they could already fund costs related to necessary database infrastructure building with their state title IV-D agency. If states have already spent funds up to their 10 percent administrative cap, there is no mechanism in SCHIP to provide them with additional funding, since states are statutorily bound to the 10 percent limit.



DEPARTMENT OF HEALTH & HUMAN SERVICES

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**ADMINISTRATION FOR CHILDREN AND FAMILIES**  
Office of the Assistant Secretary, Suite 600  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

DATE: DEC 17 2004

TO: Daniel R. Levinson  
Acting Inspector General

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

SUBJECT: Comments on the OIG Draft Report entitled, "Eight-State Review of the Ability of Noncustodial Parents to Contribute Toward the Medical Costs of Title IV-D Children Under the State Children's Health Insurance Program" (A-01-03-02502).

Attached are the Administration for Children and Families' comments on the above-referenced OIG draft report.

If you have any questions regarding our comments, please contact David Siegel, Acting Commissioner, Office of Child Support Enforcement, at (202) 401-9370.

Attachment

**COMMENTS OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES  
ON THE OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT,  
"EIGHT-STATE REVIEW OF THE ABILITY OF NONCUSTODIAL PARENTS  
TO CONTRIBUTE TOWARD THE MEDICAL COSTS OF TITLE IV-D  
CHILDREN UNDER THE STATE CHILDREN'S HEALTH INSURANCE  
PROGRAM" (A-01-03-02502).**

The Administration for Children and Families (ACF) appreciates the opportunity to comment on this Office of the Inspector General's (OIG) draft report.

OIG Recommendation

OIG recommends that the Administration for Children and Families (ACF) and Centers for Medicare and Medicaid Services (CMS) (1) determine whether additional Federal funds are needed to assist States in interfacing their Title IV-D and State Children's Health Insurance Program (SCHIP) databases and in implementing a process to collect SCHIP costs from noncustodial parents, and (2) provide such funds as appropriate.

ACF Comments

Various state IV-D programs have questioned their authority to pursue premiums for SCHIP managed-care coverage from noncustodial parents. Other states' IV-D programs already pursue such payments, either from custodial and/or noncustodial parents. As long as a state determines that private health insurance is not available to the noncustodial parent at reasonable cost in accordance with 45 CFR 303.31, the state can establish a cash medical support obligation for the noncustodial parent and collect that cash medical support payment through the IV-D program. Cash medical support can be ordered to reimburse medical costs or insurance premium costs incurred by the custodial parent.

There is no federal requirement for an assignment of medical support rights in SCHIP cases. Also, there is no federal share of assigned cash medical support collections. A change in federal statute would be required to create a federal share of these collections. Further, with respect to the need for additional funding for state IV-D agencies to pursue cash medical support in IV-D cases in which the family is receiving assistance from SCHIP, federal financial participation at 66 percent is currently available for the reasonable and necessary costs of such activities, including activities to enhance state IV-D systems for interfacing with SCHIP programs.

Finally, Office of Child Support Enforcement (OCSE) is working closely with states on a possible medical support performance indicator for incentive purposes. OCSE's current incentive program has proved to be a powerful force in improving state performance in establishing paternity and support orders and enforcing those orders. Under the current system, cash medical support collections are counted along with child support payments in calculating each state's incentives.

Other Comments

Page 1, “Related Reports,” first paragraph - The cited OIG report, A-01-01-02500, refers to the State of Connecticut’s IV-D program. OIG 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 costs of their children. This is because the income of the noncustodial parents would be used to determine the family’s ability to contribute toward the SCHIP premium.

Many questions are raised by this recommendation. For instance:

- What happens if the noncustodial parent’s income does not meet SCHIP eligibility but the custodial parent’s does? Is the custodial parent’s income used? Would the noncustodial parent have access to this information?
- If the noncustodial parent resides in a different state than the child and custodial parent, how would this impact the ability of the noncustodial parent to enroll the child? In which state would the child apply for SCHIP benefits?

Page 3, “Findings and Recommendations,” first paragraph, second sentence – In the eight states reviewed, OIG estimated that 425,752 IV-D children currently uninsured could have received SCHIP benefits during the year. OCSE understands that many states have a cap on the number of children that can receive SCHIP and that most states are near or at this cap. Therefore, this figure for new SCHIP enrollment and the amount of money--\$130 million towards the \$214 million (federal and state combined)--in costs that could be collected from noncustodial parents could exceed the cap.

# ACKNOWLEDGMENTS

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

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For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.