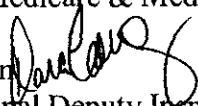




AUG 19 2004

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

Mark 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 New Jersey Under the State Children's Health Insurance Program (A-02-02-02007)

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 New Jersey 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 New Jersey: 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
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute 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.

New Jersey 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 63,833 Title IV-D children could have been eligible to receive SCHIP benefits during the audit period of September 1, 2001 through August 31, 2002. The noncustodial parents of 37,194 of these children could potentially contribute \$17,536,074 toward the \$28,166,781 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled.

Based on another statistical sample, we estimated that 3,917 Title IV-D children received SCHIP benefits during the audit period. An estimated 2,203 of these children had noncustodial parents who could potentially contribute \$961,302 toward the \$1,279,706 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

New Jersey's child support guidelines require noncustodial parents to provide private medical insurance for their children if it is available at a reasonable cost. However, State officials advised us that currently there is no requirement that noncustodial parents contribute toward the SCHIP premiums of their children.

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

State officials agreed to review our recommendation and determine if and how it could be applied to New Jersey. However, they asked that we clearly define the word "premium" (which we use to reflect the capitation amount that the State pays) and consider how premiums and the amount the custodial parent pays might impinge on each other in the support calculations made by the State's Office of Child Support and Paternity.

State officials provided additional information on some of the sample cases we reviewed. We modified the final report to reflect the additional documentation provided. In response to the State's comments, we also modified the recommendation 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-02-02-02007 in all correspondence.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

AUG 20 2004

Office of Audit Services
Region II
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10278

Report Number: A-02-02-02007

Ms. Alisha A. Griffin
Director
Division of Family Development
Office of Child Support & Paternity
P.O. Box 709
Trenton, New Jersey 08625

Dear Ms. Griffin:

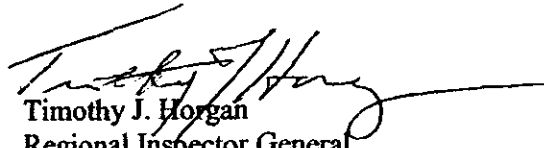
Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in New Jersey Under the State Children's Health Insurance 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-02-02-02007 in all correspondence.

Sincerely yours,


Timothy J. Horgan
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

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

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

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



**AUGUST 2004
A-02-02-02007**

Office of Inspector General

<http://oig.hhs.gov>

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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.

New Jersey's child support guidelines require noncustodial parents to provide private medical insurance for their children if it is available at a reasonable cost. However, State officials advised us that currently there is no requirement that noncustodial parents contribute toward the SCHIP premiums (State capitation payments) of their children. As a result, New Jersey and the Federal Government paid the costs incurred by children receiving SCHIP benefits.

OBJECTIVES

We reviewed two populations of Title IV-D children in New Jersey: 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
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums

Our audit covered September 1, 2001 through August 31, 2002.

SUMMARY OF FINDINGS

Children Potentially Without Health Insurance

New Jersey 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 63,833 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 37,194 of these children had noncustodial parents who could potentially contribute \$17,536,074 toward the \$28,166,781 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled.

Children Who Received SCHIP Benefits

We estimated that 3,917 children received SCHIP benefits during the audit period because their noncustodial parents were unable to provide court-ordered medical support. An estimated 2,203 of these children had noncustodial parents who could potentially contribute \$961,302 toward the \$1,279,706 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

RECOMMENDATION

We recommend that New Jersey 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

State officials agreed to review our recommendation and determine if and how it could be applied to New Jersey. However, they asked that we clearly define the word “premium” (which we use to reflect the capitation amount that the State pays) and consider how premiums and the amount the custodial parent pays might impinge on each other in the support calculations made by the State’s Office of Child Support and Paternity (OCSP).

State officials indicated that a more definitive statistical analysis would be necessary to validate the savings that could be realized by assessing premiums on noncustodial parents. The officials pointed out that many of the children identified in the report as being eligible for SCHIP had health insurance through the custodial parent’s employer. Therefore, the amount of any recovery could be far less than estimated in the report. In addition, State officials questioned whether the calculation used in the report to determine the noncustodial parent’s ability to pay is the one that their office used.

Lastly, State officials pointed out that Figure 1 in Appendix A of the report did not accurately reflect the application of the New Jersey child support guidelines. New Jersey’s comments, in their entirety, have been included in Appendix F.

OFFICE OF INSPECTOR GENERAL RESPONSE

We use the word “premium” to reflect SCHIP costs paid by the State. The final report has been modified to clarify the use of the word “premium” and to reflect additional documentation provided by OCSP after the issuance of the draft report. In response to the State’s comments, we also modified the recommendation to give the State more flexibility in taking appropriate steps to recoup SCHIP premiums from noncustodial parents who have the financial ability to pay.

We do not believe that our estimate of potential savings is overstated. In determining the number of children who could have been eligible to receive SCHIP benefits, we worked with State officials in designing the parameters used to create the sample population.

These parameters eliminated all cases that had a third-party liability code indicating that the custodial parent provided medical coverage for the children. During our review of each sample item, we adjusted our savings computation whenever we noted a change in insurance status.

We agree with the State's comment that Figure 1 in Appendix A of the report does not reflect New Jersey child support guidelines to calculate potential savings to the SCHIP program. Unfortunately, we did not receive sufficient data from the State to determine the potential savings using New Jersey's guidelines. Nonetheless, we believe that both methodologies would generate the same net savings to the State and Federal Governments.

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INTRODUCTION

BACKGROUND

Child Support Enforcement Program

The child support enforcement program was enacted in 1975 under Title IV-D of the Social Security Act. The program provides authority to establish and enforce support and medical obligations owed by noncustodial parents to their children. Within the Federal Government, the Administration for Children and Families (ACF), Office of Child Support Enforcement is responsible for administering the program. In New Jersey, the Department of Human Services (DHS), Division of Family Development, OCSP has primary responsibility and oversight of the program but delegates day-to-day responsibilities to the county boards of social services. The boards are responsible for the establishment of paternity and obtaining child and medical support orders from family court. The boards also work with local probation divisions to ensure that the court orders are enforced.

When a child support order is established or modified, the State's OCSP 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 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 administers SCHIP.

New Jersey implemented its SCHIP program on February 1, 1998. The program, initially known as NJ KidCare, was subsequently renamed NJ FamilyCare. To be eligible for the program, children must be under the age of 19, be residents of New Jersey, and have no other health insurance available (neither eligible for Medicaid nor covered by private insurance). The DHS Division of Medical Assistance and Health Services (DMAHS) administers SCHIP by contracting with various managed care organizations to provide services to qualified recipients. Some families contribute toward the cost of SCHIP services on the basis of income level. For other families, SCHIP is free because the State pays for the cost of SCHIP services through negotiated premiums, known as capitation rates. In our report, we use the word "premium" to reflect the capitation amount the State pays. The noncustodial parent's income is not considered in determining SCHIP eligibility or the amount that the family will contribute.

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 potentially contribute approximately \$10.9 million (\$7.1 million Federal share) toward the cost of enrolling these children in SCHIP. We recommended that Connecticut require noncustodial parents to enroll their children in SCHIP when other health insurance is not available at a reasonable cost and assess the ability of noncustodial parents to contribute toward the SCHIP 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 New Jersey, Indiana, Michigan, 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 New Jersey: 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
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums

Scope

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

- 200 children from a population of 100,524 Title IV-D children who did not receive SCHIP benefits
- 100 children from a population of 6,120 Title IV-D children who received SCHIP benefits

We did not review the overall internal control structure of OCSP or DMAHS; however, we reviewed pertinent controls over the establishment and enforcement of child and medical support orders. We performed fieldwork from October 21, 2002 to February 28, 2003.

Methodology

To accomplish our objectives, we:

- reviewed Federal and State laws, regulations, policies, and procedures
- examined records contained in the Automated Child Support Enforcement System 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 sampling results, projections, and methodology are presented in Appendices A through E. Details on our savings calculations can be found in Appendix A.

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

FINDINGS AND RECOMMENDATION

New Jersey 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 63,833 children would have been eligible to receive SCHIP benefits during the audit period if no other health insurance had been available and that 37,194 of these children had noncustodial parents who could potentially

contribute \$17,536,074 toward the \$28,166,781 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled.

For those children who were enrolled, we estimated that 3,917 children received SCHIP benefits during the audit period. An estimated 2,203 of these children had noncustodial parents who could potentially contribute \$961,302 toward the \$1,279,706 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)(1), 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 Child Support Guidelines

According to Appendix IX-A of the New Jersey child support guidelines, support payments are based on the noncustodial parent's share of the child-rearing costs. In addition, the guidelines require that unless the parents agree to an alternative health care arrangement, all child support orders will provide for the coverage of the child's health insurance when such insurance is available to either parent at a reasonable cost.

SAMPLE RESULTS AND PROJECTIONS

Detailed Analysis of Children Without Health Insurance

For the 200 sampled children not enrolled in SCHIP, we determined that 127 children could have been eligible to receive SCHIP benefits during the audit period if no other

health insurance had been available.¹ Projecting these results, we estimated that 63,833 children whose noncustodial parents were unable to provide court-ordered medical support would have been eligible to receive SCHIP benefits if no other health insurance had been available. For the 127 sampled children, we calculated the number of noncustodial parents who could potentially contribute toward the SCHIP premiums that would have been incurred if their children had been enrolled:

- The noncustodial parents of 74 children could potentially contribute \$34,889 toward the total SCHIP premiums of \$56,040 (Federal and State combined). Projecting these results, we estimated that 37,194 children had noncustodial parents who could potentially contribute \$17,536,074, or 62.3 percent of the total \$28,166,781 in SCHIP costs (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 27 children, there would have been no potential savings to the SCHIP program.²
- For 26 children, we were not able to determine if the noncustodial parent could have contributed toward the SCHIP premiums because we did not have income information. OCSP was unable to provide us with a copy of the child support order, which contained the necessary information.

Detailed Analysis of Children Who Received SCHIP Benefits

For the 100 sampled children enrolled in SCHIP, we determined that 64 children received SCHIP benefits during the audit period because their noncustodial parents were unable to provide court-ordered medical support.³ Projecting these results, we estimated that 3,917 children received SCHIP benefits because their noncustodial parents were unable to provide court-ordered medical support. For the 64 sampled children, we calculated the

¹The remaining 73 sampled children were eliminated from further review because (1) the noncustodial parent provided medical support (50 children), (2) they did not reside in New Jersey (13 children), (3) the noncustodial parents were either not required to provide medical support or we were unable to determine if they provided medical support (7 children), (4) the custodial parent's income exceeded the household income level for eligibility (2 children), or (5) we did not have documentation to determine the child's age (1 child).

²Of these 27 children, 16 had noncustodial parents who could not have afforded to pay any of the premiums that the State and Federal Governments would have incurred and 11 had noncustodial parents who did not meet the child support obligation and would likely not meet the medical support obligation.

³The remaining 36 sampled children were eliminated from further review because (1) 15 children did not incur SCHIP premiums, (2) 12 children had noncustodial parents who provided medical support, (3) 8 children had noncustodial parents who were either not required to provide medical support or we were unable to determine if they provided medical support, and (4) 1 child had a noncustodial parent who was not required to pay child support during the time he/she was SCHIP eligible.

number of noncustodial parents who could potentially contribute toward the SCHIP premiums incurred on behalf of their children:

- The noncustodial parents of 36 children could potentially contribute \$15,708 toward the total SCHIP premiums of \$20,910 (Federal and State combined). Projecting these results, we estimated that 2,203 children had noncustodial parents who could potentially contribute \$961,302, or 75.1 percent of the total \$1,279,706 in SCHIP premiums (Federal and State combined) incurred on behalf of their children. These estimates represent the midpoint of the 90-percent confidence interval. (See Appendices C and E for detailed sampling results and projections.)
- For 15 children, there would have been no potential savings to the SCHIP program.⁴
- For 13 children, we were not able to determine if the noncustodial parents could potentially contribute toward the SCHIP premiums because we did not have income information. OCSP was unable to provide us with a copy of the child support order, which contained the necessary information.

We met with OCSP officials to discuss the results of our review. OCSP officials told us that there is currently no requirement that noncustodial parents contribute toward the SCHIP costs of their children.

RECOMMENDATION

We recommend that New Jersey 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

State officials agreed to review the recommendation and determine if and how it could be applied to New Jersey. However, they asked that we clearly define the word “premium” (which we use to reflect the capitation amount that the State pays) and consider how premiums and the amount the custodial parent pays might impinge on each other in the support calculations made by OCSP.

Also, State officials indicated that a more definitive analysis of the statistics presented would be necessary to validate the amount of savings that could be realized by assessing capitation payments on those deemed able to afford them. The officials pointed out that pilot studies conducted by their office had demonstrated that many of the children identified in the report as being eligible for SCHIP did have health insurance through the

⁴Of these 15 children, 8 had noncustodial parents who could not have afforded to pay any of the premiums that the State and Federal Governments would have incurred, and 7 had noncustodial parents who did not meet the child support obligation and would likely not meet the medical support obligation.

custodial parent's employer. Therefore, the amount of any recovery could be far less than that estimated in the report. In addition, the officials questioned whether the calculation used in the report is the one used by their office to determine the noncustodial parent's ability to pay.

Lastly, State officials pointed out that Figure 1 in Appendix A of the report did not accurately reflect the application of the New Jersey child support guidelines. The officials explained that in New Jersey, the guidelines are calculated on gross weekly income and that medical support contributions are deducted from the amount of the child support award. Therefore, the State believed that the monthly child support obligation for the scenario provided would be \$143 rather than the \$200 reflected. New Jersey's comments, in their entirety, have been included in Appendix F.

OFFICE OF INSPECTOR GENERAL RESPONSE

In our report, we use the word "premium" to reflect SCHIP costs paid by the State. The final report has been modified to clarify the use of the word "premium" and to reflect additional documentation provided by OCSP subsequent to the issuance of the draft report. In response to the State's comments, we also modified the recommendation to give the State more flexibility in taking appropriate steps to recoup SCHIP premiums from noncustodial parents who have the financial ability to pay.

We do not believe that our estimate of potential savings is overstated. After receiving the State's written comments, we contacted State officials to discuss our use of a third-party liability code to eliminate cases in which the custodial parent provided medical coverage. Based on this discussion, we verified that our use of this code in the selection of our population and sample adequately identified and excluded children with such coverage.

Also, in determining the number of children who could have been eligible to receive SCHIP benefits, we worked with State officials in designing the parameters used to create the sample population. Consequently, these parameters eliminated all cases that had a third-party liability code indicating that the custodial parent provided medical coverage for the children. Further, during our review of each sampled item, we adjusted our savings computation whenever we noted a change in insurance status, *e.g.*, that the custodial parent was providing private health insurance. Finally, after we received the State's comments, State officials acknowledged that the pilot studies that they had conducted were limited in scope (one county) and that they did not know if any of the sampled children in those studies were included in our sample population at all. Therefore, we believe that our estimate of potential savings is correct based on our further clarification of the State's written comments.

We agree with the State's comment that Figure 1 in Appendix A of the report does not reflect New Jersey child support guidelines. In Figure 1, we calculated child support and medical support separately, which yielded a child support obligation of \$200. Under the State's guidelines, the noncustodial parent would have a child support obligation of only \$143. In either case, the net effect on the overall SCHIP savings to the State and Federal

Governments would still be the same since both methodologies provide an amount sufficient to cover the premium of \$135. Using the State's method for calculating child support obligations could actually result in an overall greater savings amount because more money would be available to the noncustodial parents, who could then contribute a higher amount toward health care costs for their children. Unfortunately, we were unable to determine the potential savings using New Jersey's guidelines because the State did not provide us sufficient information to perform the calculations. Consequently, we could only provide the State with the potential savings to SCHIP following a methodology that we established for this multistate review.

APPENDICES

**DETAILS ON OUR SAMPLING METHODOLOGY
AND SAVINGS CALCULATIONS**

Sampling Methodology

- ✓ We used an extract from OCSF's Automated Child Support Enforcement System (ACSES) for the period September 1, 2001 through August 31, 2002 to create a universe of 106,644 Title IV-D children:
 - who were not on public assistance
 - whose noncustodial parents were court-ordered to provide medical support
 - whose noncustodial parents made child support payments
- ✓ We obtained an extract from DMAHS's Medicaid Management Information System (MMIS) that identified children who received SCHIP benefits during the period September 1, 2001 through August 31, 2002.
- ✓ We tested the accuracy and completeness of the extracts from ACSES and MMIS.
- ✓ We matched the universe created from the ACSES extract to the extract of children receiving SCHIP benefits to create a population of:
 - 100,524 Title IV-D children who did not receive SCHIP benefits during the audit period
 - 6,120 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 100,524 who did not receive SCHIP benefits during the audit period
 - 100 children from the population of 6,120 who were enrolled in SCHIP during the audit period

Savings Calculations

- ✓ We reviewed OCSP guidelines for calculating child support payments.
- ✓ We determined for the sample items in each population:
 - if the noncustodial parent provided court-ordered medical support
 - if the medical support orders were properly enforced
 - if the noncustodial parent made at least three child support payments
- ✓ We relied on the information contained in ACSES to determine if the noncustodial parent did not provide court-ordered medical support because insurance was not available through their employer at a reasonable cost or they were unemployed.
- ✓ 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 determined the amount of medical support that noncustodial parents could potentially contribute toward their children's SCHIP costs 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 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 calculations that we performed reflect only the amount that the noncustodial parent could potentially contribute toward the SCHIP premiums paid by the State and that would not affect applicable amounts paid by the custodial parent. 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 the State and Federal Governments paid on behalf of the noncustodial parent's child.

- ✓ We used attribute¹ and variable² appraisal programs to estimate (1) the number of children whose noncustodial parents did not provide court-ordered medical support and who could have been eligible for SCHIP if no other health insurance had been available, (2) the number of children who received SCHIP benefits because their noncustodial parents were unable to provide court-ordered medical support, and (3) the savings to SCHIP if noncustodial parents from both populations had been required to make monthly contributions toward the SCHIP costs of their children.

Figure 1 provides an example of our calculations for a noncustodial parent with one child.

The noncustodial parent’s net income for the example shown was \$1,400 per month. Using OCSF records, we determined that the noncustodial parent’s monthly child support payments totaled \$200 and that the noncustodial parent was entitled to a minimum monthly income of \$775 for self-support. Deducting child support and minimum self-support from the noncustodial parent’s net income left \$425 for medical support. We compared the amount

Noncustodial Parent Net Monthly Income	\$1,400
Less:	
Child Support Payment	<\$ 200>
Minimum Self-Support Reserve	<\$ 775>
Amount Available for Medical Support	\$ 425
Monthly SCHIP Premium	<\$ 135>
Residual Balance to Noncustodial Parent	<u>\$ 290</u>
Potential Savings to SCHIP	\$ 135

left for medical support with the monthly SCHIP premiums of \$135 that the State paid on behalf of the noncustodial parent’s child. Accordingly, we determined that the noncustodial parent could have afforded the monthly SCHIP premiums.

¹An 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.

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

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

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

Population (Children)	Sample Size (Children)	Sampled Items With Characteristics of Interest (Children)	SCHIP Premiums (for 127 Children)	Sampled Items With <u>No</u> Savings (Children)	SCHIP Premiums (for 53 Children)	Sampled Items With Potential Savings (Children)	SCHIP Premiums (for 74 Children)	Potential SCHIP Savings (for 74 Children)
100,524	200	127	\$98,235	53	\$42,195	74	\$56,040	\$34,889

**Projection—Population of 100,524 Children
(Federal and State Combined Costs)
(Precision at the 90-Percent Confidence Level)**

	Items With Characteristics of Interest (Children)	SCHIP Premiums (for Items With Characteristics of Interest)	Items With <u>No</u> Savings (Children)	SCHIP Premiums (for Items With <u>No</u> Savings)	Items With Potential Savings (Children)	SCHIP Premiums (for Items With Potential Savings)	SCHIP Savings (for Items With Potential Savings)
Upper Limit	69,527	\$54,462,898	32,288	\$25,758,645	43,203	\$32,808,264	\$21,030,322
Point Estimate (Midpoint)	63,833	\$49,374,631	26,639	\$21,207,850	37,194	\$28,166,781	\$17,536,074
Lower Limit	57,834	\$44,286,364	21,522	\$16,657,055	31,478	\$23,525,299	\$14,041,827
Precision	N/A	10.31%	N/A	21.46%	N/A	16.48%	19.93%

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

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

Population (Children)	Sample Size (Children)	SCHIP Premiums (for 100 Children)	Sampled Items With Characteristics of Interest (Children)	SCHIP Premiums (for 64 Children)	Sampled Items With <u>No</u> Savings (Children)	SCHIP Premiums (for 28 Children)	Sampled Items With Potential Savings (Children)	SCHIP Premiums (for 36 Children)	Potential SCHIP Savings (for 36 Children)
6,120	100	\$53,442	64	\$37,997	28	\$17,086	36	\$20,910	\$15,708

**Projection—Population of 6,120 Children
(Federal and State Combined Costs)
(Precision at the 90-Percent Confidence Level)**

	Items With Characteristics of Interest (Children)	SCHIP Premiums (for Items With Characteristics of Interest)	Items With <u>No</u> Savings (Children)	SCHIP Premiums (for Items With <u>No</u> Savings)	Items With Potential Savings (Children)	SCHIP Premiums (for Items With Potential Savings)	SCHIP Savings (for Items With Potential Savings)
Upper Limit	4,402	\$2,698,195	2,218	\$1,364,455	2,727	\$1,612,392	\$1,231,652
Point Estimate (Midpoint)	3,917	\$2,325,397	1,714	\$1,045,691	2,203	\$1,279,706	\$961,302
Lower Limit	3,393	\$1,952,600	1,270	\$726,928	1,718	\$947,020	\$690,952
Precision	N/A	16.03%	N/A	30.48%	N/A	26.00%	28.12%

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

As explained in Appendix B, we estimated that 37,194 children had noncustodial parents who could have contributed \$17,536,074 toward the \$28,166,781 (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 (100,524 Children)

	Noncustodial Parent Can:	Sample Value	Projection at Midpoint
Number of Children	Pay <u>part</u> of premium	53	26,639
	Pay <u>all</u> of premium	21	10,555
	Total	74	37,194
SCHIP Premiums	Pay <u>part</u> of premium	\$41,269	\$20,742,661
	Pay <u>all</u> of premium	\$14,771	\$7,424,120
	Total	\$56,040	\$28,166,781
SCHIP Savings	Pay <u>part</u> of premium	\$20,118	\$10,111,955
	Pay <u>all</u> of premium	\$14,771	\$7,424,120
	Total	\$34,889	\$17,536,075¹

¹The difference between the total shown above and the total shown in Appendix B is due to rounding.

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

As explained in Appendix C, we estimated that 2,203 children had noncustodial parents who could have contributed \$961,302 toward the \$1,279,706 (Federal and State combined) in SCHIP premiums paid on behalf of their children. All estimates were made at the midpoint of the 90-percent confidence interval. The following table itemizes our estimates of whether the noncustodial parents could have paid all or part of the SCHIP premiums.

Population of Title IV-D Children Receiving SCHIP Benefits (6,120 Children)

	Noncustodial Parent Can:	Sample Value	Projection at Midpoint
Number of Children	Pay <u>part</u> of premium	18	1,102
	Pay <u>all</u> of premium	18	1,102
	Total	36	2,204¹
SCHIP Premiums	Pay <u>part</u> of premium	\$11,172	\$683,739
	Pay <u>all</u> of premium	\$9,738	\$595,967
	Total	\$20,910	\$1,279,706
SCHIP Savings	Pay <u>part</u> of premium	\$5,970	\$365,335
	Pay <u>all</u> of premium	\$9,738	\$595,967
	Total	\$15,708	\$961,302

¹The difference between the total shown above and the total shown in Appendix C is due to rounding.

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**State of New Jersey**

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July 10, 2003

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RE: Report No. A-02-02-02007

Dear Mr. Horgan:

This is in response to your correspondence of May 30, 2003 regarding the above captioned report. Staff from this office and the Division of Medical Assistance and Health Services (DMAHS) have reviewed the report and offer the following comments.

DMAHS is requesting clarification in the way your office has chosen to use the word "premium". As we understand it, it refers to having the non-custodial parent (NCP) pay the capitation rate (now paid by the State), as opposed to the premium, which, if applicable, is paid by the custodial parent (CP). This needs to be more clearly defined, as does how those two different costs might impinge on each other in the support calculations that need to be made by the Office of Child Support and Paternity (OCSPP).

In addition, a more definitive analysis of the statistics presented is necessary in order to validate the findings; i.e. the amount of savings that could be realized by assessing capitation payments to those deemed able to afford them. The report estimates that "63,330 children whose NCPs did not provide court-ordered medical support could have been eligible for NJ FamilyCare during the period September 1, 2001 to August 31, 2002, if no other health insurance was available". It has been demonstrated in pilot studies conducted by the OCSPP that many of these children do have health insurance through the CP's employer. Therefore, the amount of any recovery could be far less than that estimated in the report. In addition, there is the question as to whether the calculation employed by the authors of the report is actually the one used by the OCSPP to determine the NCP's ability to pay.

On page 5, Figure 1 does not accurately reflect the application of the New Jersey Child Support Guidelines. In New Jersey the guidelines are calculated on a gross weekly income amount. Medical support contributions are deducted from the amount of the recommended support obligation thereby reducing the amount of the child support award. Therefore utilizing the scenario provided in your illustration, the monthly child support obligation would be \$143 a month and not the \$200 reflected.

With respect to the lack of income information, we referred all requests to the Administrative Office of the Courts (AOC) for their assistance in obtaining the requested information from the Court's files. The files in both the Family Division and Probation Divisions were reviewed to determine if the court order or guideline worksheet containing the information requested was available. While 9 additional court orders containing the income information have been provided subsequent to the issuance of this report, the AOC has advised that they are unable to provide any additional information for the remaining cases. We will be following up with them to ensure that this information is provided.

In 2001, New Jersey was awarded a Special Improvement Project grant, in an attempt to demonstrate the effectiveness an "in court facilitator" would have in expediting medical support establishment. The project targeted children served by the IV-D agency who lacked access to private employer-provided insurance due to cost, access, continuity of coverage or other reasons and whose household income meet the qualifications for enrollment into FamilyCare, the state's children's health insurance program (CHIP). This was a collaborative effort that involved key components of New Jersey's child support enforcement community and FamilyCare. The project was piloted in Middlesex County and from February 2001 through January 2002, there were 1600 referrals of which only 6 filed applications for FamilyCare.

In September 2002, the project was expanded to Ocean County to determine if different demographics would yield greater results. As of June 26, 2003 a total of 1557 referrals have been received of which 406 were interested in various programs and 1151 were not interested. Of those who expressed an "interest", only 6 individuals actually completed the application process; 3 have been granted, 2 applications are pending, and 1 was denied for failure to cooperate. Of those "not" interested, 523 stated they already had insurance for their children.

New Jersey has been proactive in our attempts to enroll more IV-D children into the NJ FamilyCare program. The Office of NJ FamilyCare has been pleased to participate with the OCSP in the aforementioned pilot programs. The pilot conducted in Middlesex County and the one currently in progress in Ocean County has employed various techniques to increase the take-up of public health coverage among this population. We will be glad to apprise OAS of the results of these pilots when the reports are written.

The Office of Child Support continues to focus on improving medical support for all the children we serve and will be issuing a contract within the next few weeks for the implementation of the National Medical Support Notice. The contract requires that the

vendor issue the notice and follow-up with employers and health care administrators when information is not provided as required. The vendor will also be required to provide a file of all information received to the Automated Child Support Enforcement System for updating of case records. We are hopeful that this will improve the receipt of medical support information.

Both the Office of Child Support and the DMAHS will review the recommendations provided in the report reviewed to determine if and how these recommendations can be applied to what is being done in New Jersey.

We would like to thank the representatives from your office for the time and effort they have expended in completing this study.

Sincerely,



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Assistant Director

AAG:EC:c

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ACKNOWLEDGMENTS

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