



SEP 1 2004

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

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

**FROM:** Lewis Morris *L. Morris*  
Chief Counsel to the Inspector General

**SUBJECT:** Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Texas Under the State Children's Health Insurance Program (A-06-02-00068)

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 Texas 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 Texas: 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 costs of their children.

Texas 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 114,708 children would have been eligible to receive SCHIP benefits during the audit period of June 1, 2001 through May 31, 2002. The noncustodial parents of 81,198 of these children could potentially contribute \$39,701,361 toward the \$65,097,939 (Federal and State combined) in costs that would have been incurred if the children had been enrolled.

Based on another statistical sample, we estimated that 22,793 Title IV-D children received SCHIP benefits during the audit period. An estimated 14,288 of these children had noncustodial parents who could potentially contribute \$5,031,527 toward the \$6,479,854 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

Texas law requires that Title IV-D children be enrolled in either SCHIP or the Medicaid program when private insurance is not available or is too costly. Additionally, noncustodial parents are required to reimburse custodial parents for the annual fee or other expenses incurred as a result of their children's participation in such a program. The payments by custodial parents cover only a small part of the overall SCHIP costs. There is no requirement for noncustodial parents to contribute toward SCHIP expenses that exceed the amounts that custodial parents pay.

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

State officials said that a legislative change to Title XXI (SCHIP) would be required in order for medical support payments collected on SCHIP cases to result in a savings to the program. The officials explained that Texas funds its program solely under Title XXI and that, according to Federal law, Title XXI services do not have a provision for an assignment of medical support rights.

After issuing our draft report, we modified the recommendation to give the State more flexibility in taking appropriate steps to recoup SCHIP costs from noncustodial parents who have the financial ability to pay. In our report summarizing the results of our seven-State review, we will ask Federal program officials to address the need for any legislative change or guidance on treatment of medical support payments collected by SCHIP programs funded solely under Title XXI.

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](mailto:Peter.Koenig@oig.hhs.gov). Please refer to report number A-06-02-00068 in all correspondence.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services  
1100 Commerce, Room 632  
Dallas, TX 75242

SEP - 3 2004

Report Number: A-06-02-00068

The Honorable Gregg Abbott  
Attorney General  
State of Texas  
P. O. Box 12548  
Austin, Texas 78711-2548

Dear Mr. Attorney General:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Texas 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-06-02-00068 in all correspondence.

Sincerely yours,

A handwritten signature in black ink that reads "Gordon L. Sato".

Gordon L. Sato  
Regional Inspector General  
for Audit Services

Enclosures

**Direct Reply to HHS Action Official:**

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

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

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



**SEPTEMBER 2004  
A-06-02-00068**

# *Office of Inspector General*

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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.

Texas law requires that Title IV-D children be enrolled in either SCHIP or the Medicaid program when private insurance is not available or is too costly. Additionally, noncustodial parents are required to reimburse custodial parents for the annual fee or other expenses incurred as a result of their children's participation in such a program. The payments by custodial parents cover only a small part of the overall SCHIP costs. There is no requirement for noncustodial parents to contribute toward SCHIP expenses that exceed the amounts that custodial parents pay.

### **OBJECTIVES**

We reviewed two populations of Title IV-D children in Texas: 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 June 1, 2001 through May 31, 2002.

### **SUMMARY OF FINDINGS**

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

Texas 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 114,708 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 81,198 of these children had noncustodial parents who could potentially contribute \$39,701,361

toward the \$65,097,939 (Federal and State combined) in costs that would have been incurred if the children had been enrolled.

### **Children Who Received SCHIP Benefits**

We estimated that 22,793 children received SCHIP benefits during the audit period because their noncustodial parents were unable to provide court-ordered medical support. An estimated 14,288 of these children had noncustodial parents who could potentially contribute \$5,031,527 toward the \$6,479,854 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

### **RECOMMENDATION**

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

### **STATE'S COMMENTS**

State officials said that a legislative change to Title XXI (SCHIP) would be required in order for medical support payments collected on SCHIP cases to result in a savings to the program. The officials explained that Texas funds its program solely under Title XXI and that, according to Federal law, Title XXI services do not have a provision for an assignment of medical support rights. Texas's comments are included in their entirety in Appendix F.

### **OFFICE OF INSPECTOR GENERAL RESPONSE**

After issuing our draft report, we modified the recommendation to give the State more flexibility in taking appropriate steps to recoup SCHIP costs from noncustodial parents who have the financial ability to pay. In our report summarizing the results of our seven-State review, we will ask Federal program officials to address the need for any legislative change or guidance on treatment of medical support payments collected by SCHIP programs funded solely under Title XXI.

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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 Texas, the Child Support Division within the Office of the Attorney General administers the child support enforcement program.

When a child support order is established or modified, the court 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.

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

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

In response to SCHIP legislation, Texas authorized its Children's Health Insurance Program in May 1999. To be eligible for the program, children must be under the age of 19, be residents of Texas, and have no other health insurance available (neither eligible for Medicaid nor covered by private insurance). The Texas Health and Human Services Commission (the Commission) is the primary agency responsible for administering the program. 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 capitation rates (premiums).

Under the Children's Health Insurance Program, some families pay only \$15 annually to cover all their children in the plan. Higher income families make monthly payments of \$15 or \$18, which cover all children in the family. In addition, most families have copayments for doctor visits, prescription drugs, and emergency care. SCHIP eligibility, and any premium charged to the family, is based on the household income. The noncustodial parent's income is not considered in either determination. Federal and State funds subsidize the difference between the amount that families pay and the amount that managed care organizations charge.

## **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 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 York, Indiana, Michigan, New Jersey, North Carolina, Texas, and Virginia. The objective of these reviews was to identify savings to SCHIP if noncustodial parents had been required to contribute toward the costs of SCHIP benefits for their children.

## **Cooperative Efforts To Enroll Children in Health Insurance Plans**

Since the implementation of the Children's Health Insurance Program in May 2000, the Texas Title IV-D agency and the Commission have worked together to provide education and outreach efforts to families about the program. The efforts of the Texas Title IV-D agency included providing information about the Children's Health Insurance Program (1) in mass mailing application packets to custodial parents, (2) with child support information forms on most new child support cases, and (3) in court hearing notification letters. The Title IV-D agency also referred cases of potentially eligible children to the plan administrator. In addition, these two agencies met regularly to coordinate outreach and enforcement efforts.

In March 2001, the Title IV-D agency and the Commission entered into an interagency agreement that formalized the agency's outreach activities and provided for the Commission to transfer the Children's Health Insurance enrollment file to the Title IV-D agency to track the Title IV-D children who were enrolled in the program. With this information, the Title IV-D agency can concentrate its efforts on other children in its caseload by encouraging either application for the program or enrollment in private

insurance programs. Through these cooperative efforts, Texas has made progress toward ensuring that health insurance is provided for Title IV-D children and should continue building on the positive working relationship formed between the Commission and the Title IV-D agency.

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

### **Objectives**

We reviewed two populations of Title IV-D children in Texas: 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 June 1, 2001 through May 31, 2002, we reviewed a statistically valid sample of:

- 200 children from a population of 257,771 Title IV-D children who did not receive SCHIP benefits
- 100 children from a population of 34,020 Title IV-D children who received SCHIP benefits

We did not review the overall internal control structure of the Texas Title IV-D agency. Instead, our internal control review was limited to obtaining an understanding of the process used to enforce medical support orders. We performed fieldwork from November 2002 to May 2003.

### **Methodology**

To accomplish our objectives, we:

- reviewed Federal and State laws, regulations, policies, and procedures
- interviewed Child Support Division officials at the Office of the Attorney General

- examined State and county records related to sampled items to determine if the noncustodial parent was able to provide court-ordered medical support
- tested the accuracy and completeness of data obtained
- determined Medicaid eligibility for the children in our sample to ensure that we focused our review on only those months in which the child was SCHIP eligible
- identified noncustodial parents who met our review criteria
- calculated potential savings to the Federal and State Governments based on the noncustodial parent's ability to pay

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

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

## **FINDINGS AND RECOMMENDATION**

Texas has an opportunity to enroll uninsured Title IV-D children in SCHIP and provide a means for noncustodial parents to fulfill their medical support obligations. We estimated that 114,708 uninsured children would have been eligible to receive SCHIP benefits during the audit period if no other health insurance had been available and that 81,198 of these children had noncustodial parents who could potentially contribute \$39,701,361 toward the \$65,097,939 (Federal and State combined) in costs that would have been incurred if the children had been enrolled.

For those children who were enrolled, we estimated that 22,793 children received SCHIP benefits during the audit period. An estimated 14,288 of these children had noncustodial parents who could potentially contribute \$5,031,527 toward the \$6,479,854 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

## **FEDERAL AND STATE REQUIREMENTS**

### **Federal Laws and Regulations**

Over the past decade, several Federal laws and regulations have been enacted to provide health insurance for uninsured children. Under 45 CFR § 303.31(b), a medical support order must be established to include health insurance that is available to the noncustodial parent at a reasonable cost. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 directs the Title IV-D agency to notify an employer of a noncustodial parent's medical support obligation and directly enroll his or her children if a health plan is available. The Child Support Performance and Incentive Act of 1998 encourages States to enforce medical support orders and provide health coverage to



uninsured children. Title XXI, which authorizes the SCHIP program, does not prohibit States from collecting SCHIP costs from noncustodial parents who have a medical support order.

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

## **State Laws**

Title 5, section 154 of the Texas Family Code provides that in every suit affecting the parent-child relationship, the court must render an order for medical support in addition to child support. Under section 154.181, the Texas courts must determine that health insurance has already been secured or that necessary steps have been taken to secure health care coverage before a final order is entered in every case. Section 154.182 provides as the first priority that “if health insurance is available for the child through the [noncustodial parent’s] employment . . . at reasonable cost to the [noncustodial parent], the court shall order the [noncustodial parent] to include the child in the [noncustodial parent’s] health insurance . . . .” The cost of a health insurance premium that does not exceed 10 percent of the responsible parent’s net income is considered reasonable.

If the court determines that “neither parent has access to private health insurance at a reasonable cost, the court shall order that the custodial parent . . . apply on behalf of the child for participation in [Medicaid] or [SCHIP] . . . .” In addition, the court must order the noncustodial parent to “pay additional child support . . . to the [custodial parent] for the actual cost of participation of the child in such program . . . .”

The cash medical support payments made on behalf of children receiving benefits currently go to the custodial parent to reimburse him/her for the annual fee or other expenses incurred as a result of participating in the program. The payments by the custodial parent cover only a small part of the overall costs of the program. There is no requirement that the noncustodial parent reimburse the State for its share of the costs.

## **SAMPLE RESULTS AND PROJECTIONS**

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

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

- had a current child support obligation
- made a minimum of three child support payments
- were ordered to provide medical support but 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, their family income was too high to qualify for SCHIP, or they did not reside in Texas during our audit period.

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

On the basis of the initial analysis, we eliminated 111 of the 200 sampled children from further calculations. For the remaining 89 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 63 children could potentially contribute \$30,804 toward the total premiums of \$50,508 (Federal and State combined). Projecting these results to the population of 257,771 Title IV-D children without SCHIP, we estimated that 114,708 children would have been eligible to receive SCHIP benefits. Of these, 81,198 children had noncustodial parents who could potentially contribute \$39,701,361, or 61 percent of the total \$65,097,939 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.)
- The noncustodial parents of 26 children could not contribute toward the SCHIP premiums.

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

On the basis of our initial analysis, we eliminated 33 of the 100 sampled Title IV-D children from further calculations. For the remaining 67 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 42 children could potentially contribute \$14,790 toward the total SCHIP premiums of \$19,047 (Federal and State combined). Projecting these results to the population of 34,020 children enrolled in SCHIP, we estimated that 14,288 children had noncustodial parents who could potentially contribute \$5,031,527, or 78 percent of the total \$6,479,854 in SCHIP premiums (Federal and State combined). These estimates represent the midpoint of the 90-percent confidence interval. (See Appendices C and E for detailed sampling results and projections.)
- The noncustodial parents of 25 children could not contribute toward the SCHIP premiums.

## **RECOMMENDATION**

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

## **STATE'S COMMENTS**

State officials said that a legislative change to Title XXI would be required in order for medical support payments collected on SCHIP cases to result in a savings to the program. The officials explained that Texas funds its program solely under Title XXI and that, according to Federal law, Title XXI services do not have a provision for an assignment of medical support rights. Texas's comments are included in their entirety in Appendix F.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

After issuing our draft report, we modified the recommendation to give the State more flexibility in taking appropriate steps necessary to recoup SCHIP costs from noncustodial parents who have the financial ability to pay. In our report summarizing the results of our seven-State review, we will ask Federal program officials to address the need for any legislative change or guidance on treatment of medical support payments collected by SCHIP programs funded solely under Title XXI.

# **APPENDICES**

## DETAILS ON OUR SAMPLING METHODOLOGY AND SAVINGS CALCULATIONS

### Sampling Methodology

- ✓ We used an extract from the Texas Child Support Enforcement System to create a universe of 291,791 Title IV-D children:
  - who were not Medicaid eligible during the audit period of June 1, 2001 through May 31, 2002
  - whose noncustodial parents had made at least three child support payments during the audit period
- ✓ We obtained an extract from the Commission identifying all children who received SCHIP benefits during the audit period.
- ✓ We tested the accuracy and completeness of the extracts from the Child Support Enforcement System and the SCHIP system.
- ✓ We matched the universe created from the Child Support Enforcement System extract to the extract of children receiving SCHIP benefits to create a population of:
  - 257,771 Title IV-D children who did not receive SCHIP benefits during the audit period
  - 34,020 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 257,771 who did not receive SCHIP benefits during the audit period
  - 100 children from the population of 34,020 who were enrolled in SCHIP during the audit period

### Savings Calculations

- ✓ We reviewed Texas statutes for calculating child support payments and met with an official at the Texas Title IV-D agency 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, if the noncustodial parents:
  - had a current child support obligation

- made three or more child support payments
  - met their current child support obligation
- ✓ We reviewed State and county records for sampled children to determine if the noncustodial parent was able to provide court-ordered medical support.
- ✓ We determined, for the sampled children who did not receive SCHIP benefits, the number of children who would 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 the Texas Department of Human Services.
- ✓ We eliminated those sampled children who received private health insurance. To identify these children, we relied on information in State records or information obtained from either the insurance provider or the noncustodial parent's employer.
- ✓ We determined the amount of medical support that noncustodial parents could potentially contribute toward their children's SCHIP premiums by dividing 10 percent of the noncustodial parent's net income by the number of children that the noncustodial parent had in our population to determine the amount available, if any, for medical support for each sampled child.
- ✓ We computed the potential savings to SCHIP by comparing the amount of medical support that the noncustodial parent could pay with the monthly SCHIP premiums that the State and Federal Governments paid on behalf of the noncustodial parent's child. The SCHIP cost represented the months in which the noncustodial parent had a current child support obligation and was unable to provide court-ordered medical support. The potential savings to SCHIP was the lower of (1) the amount of medical support that the noncustodial parent could pay or (2) the monthly SCHIP costs that the State and Federal Governments paid on behalf of the noncustodial parent's child.
- ✓ We used attribute<sup>1</sup> and variable<sup>2</sup> appraisal programs to estimate (1) the number of children whose noncustodial parents did not provide court-ordered medical support and who 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 SCHIP BENEFITS**

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

<b>Population (Children)</b>	<b>Sample Size (Children)</b>	<b>Sampled Items With Characteristics of Interest (Children)</b>	<b>SCHIP Premiums (for 89 Children)</b>	<b>Sampled Items With Potential Savings (Children)</b>	<b>SCHIP Premiums (for 63 Children)</b>	<b>Potential SCHIP Savings (for 63 Children)</b>
257,771	200	89	\$66,472	63	\$50,508	\$30,804

**Projection--Population of 257,771 Children  
(Federal and State Combined Costs)  
(Precision at the 90-Percent Confidence Level)**

	<b>Items With Characteristics of Interest (Children)</b>	<b>Items With Potential Savings (Children)</b>	<b>SCHIP Premiums (for Items With Potential Savings)</b>	<b>SCHIP Savings (for Items With Potential Savings)</b>
Upper Limit	130,329	96,233	\$79,487,432	\$48,934,905
Point Estimate (Midpoint)	114,708	81,198	\$65,097,939	\$39,701,361
Lower Limit	99,404	67,234	\$50,708,447	\$30,467,817
Precision	N/A	N/A	22.10%	23.26%

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

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

<b>Population (Children)</b>	<b>Sample Size (Children)</b>	<b>Sampled Items With Characteristics of Interest (Children)</b>	<b>SCHIP Premiums (for 67 Children)</b>	<b>Sampled Items With Potential Savings (Children)</b>	<b>SCHIP Premiums (for 42 Children)</b>	<b>Potential SCHIP Savings (for 42 Children)</b>
34,020	100	67	\$30,289	42	\$19,047	\$14,790

**Projection--Population of 34,020 Children  
(Federal and State Combined Costs)  
(Precision at the 90-Percent Confidence Level)**

	<b>Items With Characteristics of Interest (Children)</b>	<b>Items With Potential Savings (Children)</b>	<b>SCHIP Premiums (for Items With Potential Savings)</b>	<b>SCHIP Savings (for Items With Potential Savings)</b>
Upper Limit	25,433	17,249	\$8,273,716	\$6,510,221
Point Estimate (Midpoint)	22,793	14,288	\$6,479,854	\$5,031,527
Lower Limit	19,891	11,451	\$4,685,992	\$3,552,834
Precision	N/A	N/A	27.68%	29.39%



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

As explained in Appendix B, we estimated that 81,198 children had noncustodial parents who could potentially contribute \$39,701,361 toward the \$65,097,939 (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 level. 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 (257,771 Children)**

	<b>Noncustodial Parent Can:</b>	<b>Sample Value</b>	<b>Projection at Midpoint</b>
Number of Children	Pay <u>part</u> of premium	39	50,265
	Pay <u>all</u> of premium	24	30,933
	<b>Total</b>	<b>63</b>	<b>81,198</b>
SCHIP Premiums	Pay <u>part</u> of premium	\$33,242	\$42,844,440
	Pay <u>all</u> of premium	17,266	22,253,499
	<b>Total</b>	<b>\$50,508</b>	<b>\$65,097,939</b>
SCHIP Savings	Pay <u>part</u> of premium	\$13,537	\$17,447,862
	Pay <u>all</u> of premium	17,266	22,253,499
	<b>Total</b>	<b>\$30,803<sup>1</sup></b>	<b>\$39,701,361</b>

<sup>1</sup>The difference between the total shown here 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 14,288 children had noncustodial parents who could potentially contribute \$5,031,527 toward the \$6,479,854 (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 level. 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 (34,020 Children)**

	<b>Noncustodial Parent Can:</b>	<b>Sample Value</b>	<b>Projection at Midpoint</b>
Number of Children	Pay <u>part</u> of premium	20	6,804
	Pay <u>all</u> of premium	22	7,484
	<b>Total</b>	<b>42</b>	<b>14,288</b>
SCHIP Premiums	Pay <u>part</u> of premium	\$10,619	\$3,612,733
	Pay <u>all</u> of premium	8,428	2,867,121
	<b>Total</b>	<b>\$19,047</b>	<b>\$6,479,854</b>
SCHIP Savings	Pay <u>part</u> of premium	\$6,362	\$2,164,407
	Pay <u>all</u> of premium	8,428	2,867,121
	<b>Total</b>	<b>\$14,790</b>	<b>\$5,031,528<sup>1</sup></b>

<sup>1</sup>The difference between the total shown here and the total shown in Appendix C is due to rounding.



ATTORNEY GENERAL OF TEXAS  
GREG ABBOTT

CHILD SUPPORT DIVISION

September 23, 2003

Mark Ables  
Audit Manager  
Office of Inspector General  
Office of Audit Services  
1100 Commerce, Room 632  
Dallas, Texas 75242

Re: Report Number A-06-02-00068

Dear Mr. Ables:

Attorney General Gregg Abbott received the Office of Inspector General's draft report entitled "Review to Identify Potential Savings to the Texas Children's Health Insurance Program if Non-Custodial Parents Contribute to the Cost of Health Care Provided on Behalf of Their Children," and asked that I respond on his behalf.

We are very pleased that the report acknowledged our efforts in the provision of health insurance to the children of Texas, as well as our positive working relationships with the Texas Health and Human Services Commission.

In response to the audit's recommendations, we offer these comments. On page 2 the last paragraph of the section before the "Introduction" and the recommendation appearing on page 7 both read:

"We recommend that Texas consider a legislative change requiring the Non-Custodial Parents (NCPs) to contribute cash medical support towards the cost of their child's CHIP premiums, in addition to the amount paid to the custodial parent, to offset the cost of the program."

Current Texas law, specifically Texas Family Code section 154.182 (b)(4), requires the NCP to reimburse the CP for the premium costs. Consequently, we suggest this language for the recommendation quoted above:

"We recommend that Texas consider a legislative change requiring NCPs to contribute cash medical support to offset the cost of their child's participation in CHIP, in addition to the amount paid to the custodial parent to offset the cost of the premium paid by the custodial parent."

Mark Ables  
September 23, 2003  
Page 2

On page 6, the last two sentences in the section entitled, "State Law Regarding the Enforcement of Medical Support and Requiring NCP Contributions" currently read: "There is no provision to require the NCP to reimburse CHIP expenses that exceed amounts that custodial parents are paying. A legislative change would be required in order for medical support payments collected on CHIP cases to result in a savings to the program."

The Office of the Attorney General agrees that a legislative change would be required if medical support payments collected on CHIP cases were to be applied to CHIP, in the manner that medical support payments made on Medicaid cases are. However, Texas funds CHIP under Title XXI. According to federal law, Title XXI services do not result in an assignment of medical support rights as does Title XIX. Medical support payments collected on Medicaid cases are forwarded to the state Medicaid agency, as mandated by federal law.

Finally regarding the last paragraph on page 8, an update is offered to identify the results of receiving the CHIP enrollment file. Currently there are approximately 70,000 IV-D children enrolled in CHIP. Also, the Office of the Attorney General refers 1,200 parents per month to CHIP for the potential enrollment of their children into the program.

Thank you again for the opportunity to offer written comments. Should you require additional information please contact me at (512) 460-6122, or via email at [cynthia.bryant@cs.oag.state.tx.us](mailto:cynthia.bryant@cs.oag.state.tx.us).

Sincerely,



Cynthia Bryant  
Deputy Attorney General for Child Support

CB/jl

cc: Mr. Leon R. McCowan, ACF Regional HUB Director, West Central HUB  
File

# ACKNOWLEDGMENTS

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

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