



EXECUTIVE SUMMARY

The objective of our audit was to examine the division's controls to contain durable medical equipment and supply expenditures. We concluded that the division needs to improve controls over provider reimbursements to prevent improper payments and enhance its program oversight. Greater efficiencies could be realized by the division through competitive bidding for services for medical equipment and supplies or reducing maximum allowable fees to reflect reasonable market prices.

AUDIT HIGHLIGHTS

- The New Jersey Medicaid program's rental rate for oxygen concentrators was the highest among 28 states reviewed. Cost savings could be realized using term contracts for oxygen equipment or reducing the maximum fee allowance. If the state received a contract rate similar to the Department of Military and Veterans Affairs Menlo Park Memorial Home rate, the annual federal and state savings could be \$1.4 million. (Page 4)
- The division could reduce the cost for adult incontinence briefs. The division currently pays from \$.70 to \$.90 per brief. The state also has a term contract for adult incontinence briefs for individuals in state institutions. If the division set Medicaid rates based on the state contract, the division could have realized an annual federal and state cost savings of \$5.3 million. (Page 4)
- We identified more than \$2.1 million in improper payments for routine medical equipment and supplies for residents in nursing facilities. Routine items such as enteral feeding formulas, incontinence briefs, hospital beds, and standard wheelchairs are considered part of the nursing facilities' cost and should not have been billed directly to the program by the durable medical equipment suppliers. (Page 6)
- We estimated \$3 million in state and federal funds may be owed back to the New Jersey Medicaid program by a vendor for services paid but never rendered. Our review found the division permitted the vendor to submit claims and receive the entire payment for services that were only partially rendered. Subsequently, the contract for medical equipment recycling was terminated and is currently under investigation by the Division of Criminal Justice. (Page 10)

AUDITEE RESPONSE

The division did not completely concur with our recommendations. (Page 12)

For the complete audit report click [here](#).