



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

EXECUTIVE SUMMARY

**DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
TRANSPORTATION BROKER SERVICES CONTRACT – CAPITATION RATES
July 1, 2014 to June 30, 2016**

We found the transportation broker services contract capitation rates, although compliant with the contract terms, were not reasonable when compared to the direct transportation costs.

AUDIT HIGHLIGHTS

The Division of Medical Assistance and Health Services (division) has contracted with a transportation broker (broker) to provide non-emergency medical transportation services to Medicaid recipients. The broker is paid a monthly capitation fee for each eligible Medicaid recipient. In order to determine the reasonableness of the capitation payments, we compared the net capitation paid to the broker to the actual direct costs submitted by the broker to determine if its direct costs were within 80 percent of the capitation paid. This percentage was derived from the proposed new transportation broker services contract, which requires the broker's direct transportation costs to be at least 80 percent of capitation payments received. We found that the direct transportation costs of the broker averaged only 74.8 percent of the net capitation paid by the division during our audit period.

Beginning in October 2014, the broker has been voluntarily returning a portion of its capitation payments to the division on a monthly basis. During our audit period, the total amount of voluntary returned capitation from the broker has equaled \$27.2 million. However, in addition to the returned capitation, we calculated that the division could have paid the broker \$20.8 million less for these services, and actual direct costs would have been at 80 percent of capitation paid.

AUDITEE RESPONSE

The department disagrees with our conclusion that the capitation rates were not reasonable.

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