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State/Territory Name: New Jersey

State Plan Amendment (SPA) #: 25-0013

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Form CMS-179
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
601 E. 12th St., Room 355
Kansas City, Missouri 64106



Medicaid and CHIP Operations Group

March 3, 2026

Gregory Woods
Assistant Commissioner
P.O. Box 712, Mail Code #26
Trenton, NJ 08625-0712

Re: New Jersey State Plan Amendment (SPA) – 25-0013

Dear Assistant Commissioner Woods:

The Centers for Medicare & Medicaid Services (CMS) reviewed your Medicaid State Plan Amendment (SPA) submitted under transmittal number (TN) 25-0013. This amendment proposes to suspend the Medicaid Recovery Audit Contractor Program for a two-year period because ninety-six percent of Medicaid beneficiaries participate in managed care.

We conducted our review of your submittal according to statutory requirements in Title XIX of the Social Security Act and implementing regulations at section 1902(a)(42)(B)(i). This letter informs you that New Jersey's Medicaid SPA TN 25-0013 was approved on March 3, 2026, effective January 1, 2026, through December 31, 2027.

Enclosed are copies of Form CMS-179 and approved SPA pages to be incorporated into the New Jersey State Plan.

If you have any questions, please contact Terri Fraser at (410) 786-5573 or via email at Terri.Fraser@cms.hhs.gov.

Sincerely,

A solid black rectangular box redacting the signature of Wendy E. Hill Petras.

Wendy E. Hill Petras, Acting Director
Division of Program Operations

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 5 — 0 0 1 3

2. STATE

NJ

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT

XIX XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 1, 2026

5. FEDERAL STATUTE/REGULATION CITATION

Social Security Act 1902(a)(42)(B)(i)

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2026 \$ 0
b. FFY 2027 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Section 4.5 pages 1, 2, and 3

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (if Applicable)

TN# 24-0002, Section 4.5 pages 1, 2, and 3

9. SUBJECT OF AMENDMENT

State Plan Amendment requesting an extension to the exception from the Recovery Audit Contractor (RAC) program requirements.

10. GOVERNOR'S REVIEW (Check One)

- GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL

[Redacted Signature]

12. TYPED NAME OF STATE AGENCY OFFICIAL
Sarah Adelman

13. TITLE
Commissioner, Department of Human Services

14. DATE SUBMITTED
12/30/2025

15. RETURN TO

Gregory Woods, Assistant Commissioner
Division of Medical Assistance and Health Services
P.O. Box 712, Mail Code #26
Trenton, NJ 086250712

FOR CMS USE ONLY

16. DATE RECEIVED
December 30, 2025

17. DATE APPROVED
March 3, 2025

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2026

19. SIGNATURE OF APPROVING OFFICIAL

[Redacted Signature]

20. TYPED NAME OF APPROVING OFFICIAL
Wendy E. Hill Petras

21. TITLE OF APPROVING OFFICIAL
Acting Director, Division of Program Operations

22. REMARKS

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE OF NEW JERSEY

4.5 Medicaid Recovery Audit Contractor Program

<p><u>Citation</u></p> <p>Section 1902(a)(42)(B)(i) of the Social Security Act</p> <p>Section 1902(a)(42)(B)(ii)(I) of the Act</p> <p>Section 1902 (a)(42)(B)(ii)(II)(aa) of the Act</p>	<p>NA The State established a program under which it contracts with one or more recovery audit contractors (RACs) for the purpose of identifying underpayments and overpayments of Medicaid claims under the State plan and under any waiver of the State plan.</p> <p>X The State is seeking an exception to utilizing such program through December 31, 2027 for the following reasons:</p> <ol style="list-style-type: none"> 1. 42 CFR 455.506(a)(1) provides that states may exclude Medicaid managed care claims from review by Medicaid RACs. As of August 2025, 95.9% of all Medicaid/NJ FamilyCare beneficiaries participate in managed care. 2. Two of the larger RAC projects previously performed as RAC projects were removed from the RAC purview and delegated to two other RFPs: (a) the State’s TPL vendor, managed by MFD, assumed responsibility for seeking recoveries based on Long Term Care patient liability and credit balance claims; and (b) DMAHS’ hospital audit vendor assumed responsibility to perform utilization reviews for inpatient hospital claims. 3. Additionally, the MFD has robust Audit, Investigation and Data Mining Units that seek recoveries based on fraud, waste or abuse in both the Fee-for-service and Medicaid Managed Care areas. From these efforts, and the efforts of the MFD TPL Services Contractor, MFD recovered \$132,475,474 during SFY 2025. This figure also includes MCO capitation recoveries associated with the PARIS match. <p>NA The State/Medicaid agency has contracts of the type(s) listed in section 1902(a)(42)(B)(ii)(I) of the Act. All contracts meet the requirements of the statute. RACs are consistent with the statute.</p> <p>Place a check mark to provide assurance of the following:</p> <p>NA The State will make payments to the RAC(s) only from amounts recovered.</p>
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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE OF NEW JERSEY

4.5 Medicaid Recovery Audit Contractor Program

Section 1902 (a)(42)(B)(ii)(II)(bb) of the Act	<p>NA The State will make payments to the RAC(s) on a contingent Basis for collecting overpayments.</p> <p>The following payment methodology shall be used to determine State payments to Medicaid RACs for identification and recovery of overpayments (e.g., the percentage of the contingency fee): (rate has not yet been determined)</p>
Section 1902 (a)(42)(B)(ii)(III) of the Act	<p>NA The State attests that the contingency fee rate paid to the Medicaid RAC will not exceed the highest rate paid to Medicare RACs, as published in the Federal Register.</p>
Section 1902 (a)(42)(B)(ii)(IV)(aa) of the Act	<p>NA The State attests that the contingency fee rate paid to the Medicaid RAC will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will only submit for FFP up to the amount equivalent to that published rate.</p>
Section 1902(a)(42)(B)(ii)(IV)(bb) of the Act	<p>NA The contingency fee rate paid to the Medicaid RAC that will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will submit a justification for that rate and will submit for FFP for the full amount of the contingency fee.</p>
Section 1902 (a)(42)(B)(ii)(IV)(cc) Of the Act	<p>NA The following payment methodology shall be used to determine State payments to Medicaid RACs for the identification of underpayments (e.g., amount of flat fee, the percentage of the contingency fee): Contingency based on underpayments identified.</p>
	<p>NA The State has an adequate appeal process in place for entities to appeal any adverse determination made by the Medicaid RAC(s).</p>
	<p>NA The State assures that the amounts expended by the State to carry out the program will be amounts expended as necessary for the proper and efficient administration of the State plan or a waiver of the plan.</p>
	<p>NA The State assures that the recovered amounts will be subject a State’s quarterly expenditure estimates and funding of the State’s share.</p>

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE OF NEW JERSEY

4.5 Medicaid Recovery Audit Contractor Program

	<p>NA Efforts of the Medicaid RAC(s) will be coordinated with other contractors or entities performing audits of entities receiving payments under the State plan or waiver in the State, and/or State and Federal law enforcement entities and the CMS Medicaid Integrity Program.</p>