



# State of New Jersey

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October 12, 2023

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**Re: Review of Medicaid Beneficiaries Insuring Multiple Vehicles through the NJ Special Automobile Insurance Policy Program; [REDACTED]**

Dear Assistant Commissioner Sornson, Director Martin, and Chief Mangiaracina:

The Office of the State Comptroller, Medicaid Fraud Division (OSC) received information indicating that enrollees in the New Jersey Special Automobile Insurance Policy (SAIP) program, which is predicated on enrollment in the New Jersey Medicaid program, may not be properly

enrolled in SAIP because they may not be eligible for NJ Medicaid. Upon further investigation, OSC found instances of SAIP enrollees who were not eligible for Medicaid, and thus, should not have received SAIP coverage. OSC provides the following summary of its findings and a recommendation to the SAIP program to prevent it from providing coverage to those who are not eligible to receive it.

## Introduction

The New Jersey SAIP program, administered by the New Jersey Department of Banking and Insurance (DOBI), enables Medicaid beneficiaries to obtain low-cost automobile insurance from commercial insurance carriers with coverage terms that are far less than the minimum terms that are statutorily required for non-SAIP issued automobile policies. As explained in its authorizing statute, SAIP was designed “to assist certain low income individuals in this State and encourage their greater compliance in satisfying the mandatory private passenger automobile insurance requirements.” Because an annual automobile insurance policy obtained through the SAIP program costs up to \$365, approximately one dollar per day, this program commonly is referred to as “Dollar-a-Day Automobile Insurance.”

OSC initiated this review after receiving reports that some SAIP policyholders were insuring numerous automobiles at the same time, which was an indication that these individuals may have had income/assets that would have made them ineligible for Medicaid, and thus, not eligible for SAIP coverage. As part of its review, OSC obtained information about the State’s oversight of the SAIP program and investigated instances of potential eligibility fraud involving SAIP policyholders who insured numerous vehicles.

OSC found several instances of SAIP policyholders who should have been removed from the SAIP program because their income or the value of the automobiles they insured through the SAIP program made them ineligible for the Medicaid program in which they were enrolled, which meant that they were not eligible for the SAIP coverage they were receiving. More broadly, OSC found that a control weakness detracted from the State’s ability to oversee this program. Specifically, although a number of Medicaid programs are asset-based, the SAIP program does not limit the number of vehicles an enrollee can insure. In addition, there is no process through which DOBI, the primary SAIP oversight body, notifies the Medicaid program, which is administered by the Division of Medical Assistance and Health Services (DMAHS) within the Department of Human Services, that an SAIP policyholder obtained coverage for multiple automobiles. As a result, OSC identified SAIP policyholders enrolled in one of the various asset-based Medicaid programs who held SAIP policies on multiple vehicles with a total value that far exceeded the asset limits for the Medicaid programs in which they were enrolled.

To address this oversight gap, OSC provided a draft report to DOBI and DMAHS for their review and comment that recommended that DOBI (a) limit the number of automobiles that can be insured by an SAIP policyholder to prevent policyholders in an asset-based Medicaid program from insuring multiple automobiles that collectively exceed the program limits, and/or (b) notify the Medicaid program of the year/make/model of any additionally insured vehicles when an SAIP policyholder insures more than one so the Medicaid program can consider this information in its Medicaid eligibility assessment process. In response, DOBI advised that it agreed with the “recommendations to limit the number of vehicles that can be insured in the program and/or refer all applicants who attempt to insure a second vehicle.”

## **Background**

OSC is charged with implementing the Medicaid Program Integrity and Protection Act, N.J.S.A. 30:4D-53 to -64, by, among other things, ensuring that the State spends its Medicaid resources in a responsible and effective manner. OSC performs these duties through its Medicaid Fraud Division. Medicaid is a joint federal and state program administered by states. In New Jersey, DMAHS administers the Medicaid program. Medicaid provides health insurance for more than 2.2 million residents, including those who are aged, blind, disabled (ABD), and those who earn low to moderate incomes. In state fiscal year 2023, the Legislature budgeted \$17.96 billion in state and federal funds to New Jersey's Medicaid program.<sup>1</sup>

### **A. Medicaid Eligibility**

To be eligible for Medicaid, a person must be a resident of New Jersey, a U.S. Citizen or qualified alien, and meet specific income-level thresholds for their respective household size. Some Medicaid programs, such as the ABD programs, have both income and asset threshold limits that the applicant must meet to enroll into those programs. In one ABD program, for example, assets are limited to a total of \$4,000 for a single person or a maximum of \$6,000 for a married couple. For purposes of determining eligibility, the value of one automobile is considered exempt, but any other automobiles owned by the applicant are counted toward the asset limit. Once enrolled in the Medicaid program, enrollees receive medical coverage/benefits, which includes hospital and doctor services, prescription coverage, nursing home care, and other healthcare needs. Additional information regarding Medicaid programs and related enrollment eligibility criteria can be found at <https://www.state.nj.us/humanservices/dmahs/clients/medicaid/>.

### **B. SAIP Eligibility**

To obtain SAIP coverage, an applicant first must complete an SAIP application form, which requires the individual seeking coverage to provide, among other things, the names of all Medicaid enrollees (residing in the home) who will operate the automobile, vehicle information, proof of ownership, and previous insurance history. An applicant is not eligible to apply for SAIP if their driver's license or registration is revoked or suspended. There may be only one insurance policy on a vehicle, but the SAIP insurance policy extends the program's coverage to any qualified operators of the vehicle, as well as any named dependents, should an accident occur, as long as they all are Medicaid enrollees. SAIP insurance is solely for personal use and does not cover commercial use of the vehicle.

### **C. Obtaining SAIP Coverage**

Most licensed Personal Automobile Insurance Plan Producers (PAIP) can process applications for Medicaid recipients seeking enrollment into the SAIP program. At the time of the application, and at any subsequent policy renewals, the PAIP is responsible for verifying current Medicaid eligibility for the person seeking SAIP coverage. The PAIP verifies Medicaid eligibility by calling a DMAHS-administered telephone number and providing identifier information (e.g., name, date of birth), and the system indicates whether or not the individual is in a Medicaid program. The SAIP

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<sup>1</sup> See NJ Legislature Analysis of DHS Budget, State Fiscal Year 2022-2023:  
[https://pub.njleg.state.nj.us/publications/budget/governors-budget/2023/DHS\\_analysis\\_2023.pdf](https://pub.njleg.state.nj.us/publications/budget/governors-budget/2023/DHS_analysis_2023.pdf)

is managed by Automobile Insurance Plan Service Office (AIPSO), a private organization contracted to manage the operations of the Plan. The PAIP and AIPSO contract with a licensed insurer, known as a “servicing carrier,” which issues SAIP policies under their name.

#### D. SAIP Policies and Premiums

As of December 2022, there were 51,661 policyholders with SAIP coverage. In 2022, SAIP policyholders paid a total of \$20,754,827 in premiums. During this same period, SAIP policyholders submitted a total of 772 claims for coverage, for which the SAIP program has paid out, to date, a total of \$11,379,342.

### Findings

OSC investigated several instances of SAIP policyholders who insured multiple automobiles, and, from these investigations, OSC determined that some individuals who possessed SAIP coverage were not eligible for Medicaid either by virtue of the value of their SAIP insured cars or because their income was higher than the eligibility limit. In each such instance, OSC referred the individual to the appropriate oversight body to determine whether the individual currently was eligible to remain in the Medicaid program. A brief description of three of these findings is illustrative of OSC’s broader findings.

In a review involving a Medicaid beneficiary in an ABD program, which bases eligibility on assets, OSC determined that, from 2019 to 2022, the beneficiary insured a total of **46** automobiles through the SAIP program, often insuring more than a dozen vehicles at the same time. After adding the value of the cars, OSC determined that the beneficiary had exceeded the ABD asset limits. Accordingly, OSC determined that the individual was not eligible to remain in the Medicaid program, which meant that the individual also was not eligible to continue receiving SAIP coverage. In another matter involving an ABD beneficiary, OSC determined that, from 2019 to 2022, the beneficiary insured a total of **36** automobiles through the SAIP program, insuring as many as **21** vehicles at the same time. Similar to the prior case, from this finding, OSC determined that this individual’s assets exceeded the Medicaid program’s asset limits, meaning that this beneficiary likewise had improperly received SAIP coverage. In a case involving a person who insured **eight** vehicles through the SAIP program while enrolled in the NJ FamilyCare program, OSC determined that the beneficiary’s income exceeded the Medicaid eligibility limits, and thus, the individual had improperly received both Medicaid benefits and SAIP coverage.

Based on the findings above, OSC concludes that the SAIP program lacks sufficient controls. As illustrated above, in the ABD portion of the Medicaid program, which has asset-based limits in addition to income limits, insuring multiple vehicles through the SAIP program is an indicator that the person may not be eligible for the ABD program. Similarly, for Medicaid eligibility that is based on income limits, the SAIP oversight body, DOBI, should ensure that vehicle coverage information is shared with the Medicaid program to ensure that SAIP policyholders are, in fact, eligible for their underlying Medicaid coverage. To address these oversight control shortcomings, OSC recommends that DOBI take the following actions.

### Recommendations

1. DOBI should (i) limit the number of automobiles that can be covered through the SAIP

program to ensure that this program is being used by Medicaid beneficiaries who qualify for the Medicaid program in which they are enrolled, and/or (ii) notify the Medicaid program of the year/make/model of any additionally insured vehicles when an SAIP policyholder insures more than one so the Medicaid program can consider this information in its Medicaid eligibility assessment process.

2. Within six months, DOBI should notify OSC whether it has implemented either/both of the recommendations above and, if not, explain why not.

Thank you for your attention to this matter.

Sincerely,

KEVIN D. WALSH  
ACTING STATE COMPTROLLER

By: Josh Lichtblau  
Josh Lichtblau  
Director, Medicaid Fraud Division