

THOMAS P. DINAPOLI
COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 15, 2017

Mr. Thomas K. Coy
Underwriting Director
United HealthCare
13 Cornell Road
Latham, NY 12110

Re: United HealthCare: Empire Plan Drug
Rebate Revenue
Report 2017-F-5

Dear Mr. Coy:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of United HealthCare (United) to implement the recommendation contained in our audit report, *United Healthcare: Empire Plan Drug Rebate Revenue* (Report 2016-S-7).

Background, Scope, and Objective

The New York State Health Insurance Program (NYSHIP) provides health insurance coverage to approximately 1.2 million active and retired State, participating local government, and school district employees, and their dependents. The Empire Plan is the primary health benefits plan for NYSHIP, serving about 1.1 million of these members. The Empire Plan covers a comprehensive range of services including, but not limited to, inpatient and outpatient hospital services, home care services, medical equipment and supplies, mental health and substance abuse services, and prescription drugs.

The State Department of Civil Service (Department) administers NYSHIP. In carrying out its responsibilities, the Department contracted with United to administer the Empire Plan's prescription drug program from January 1, 2008 through December 31, 2013. In accordance with the contract, United was required to utilize the Empire Plan's significant enrollment to maximize savings to the prescription drug program by negotiating agreements with drug manufacturers for rebates, discounts, and other considerations. United was required to pass 100 percent of the value of the agreements back to the Department. During the period January 1, 2010 through December 31, 2013, United remitted approximately \$863 million in revenue to the Department that was derived from such agreements with drug manufacturers.

We issued our initial audit report on November 1, 2016. Our objective was to determine if United remitted all drug rebate revenue to the Department as required by the contract between United and the Department. The audit covered the period January 1, 2010 through December 31, 2013. Our initial audit identified \$1,498,719 in rebate revenue that was not remitted to the Department. We recommended that United remit the \$1,498,719 in rebates to the Department.

The objective of this follow-up was to determine the implementation status, as of April 12, 2017, of the recommendation included in our initial report.

Summary Conclusion and Status of Audit Recommendation

United officials fully implemented the recommendation made in our initial audit report.

Follow-Up Observation

Recommendation 1

Remit the \$1,498,719 in rebates identified by the audit to the Department.

Status – Implemented

Agency Action – On December 1, 2016, United remitted \$1,498,719 in rebates to the Department.

Major contributors to this report were Cynthia Herubin, Sally Perry, and Christian Butler.

Very truly yours,

David J. Fleming
Audit Manager

cc: Mr. David Boland, Department of Civil Service
Mr. Ronald Kuiken, Department of Civil Service
Mr. Jeffrey Stein, Department of Civil Service
Mr. Daniel Yanulavich, Department of Civil Service