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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

November 16, 2021

Cheryl A. Byron  
Division Head, CVS/Caremark  
CVS Health  
420 E. Waterside Drive, Unit 2710  
Chicago, IL 60601

Re: CVS Health: Accuracy of Drug Rebate  
Revenue Remitted to the Department  
of Civil Service  
Report 2021-F-18

Dear Ms. Byron:

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 CVS Health to implement the recommendations contained in our audit report, *CVS Health: Accuracy of Drug Rebate Revenue Remitted to the Department of Civil Service* (Report [2019-S-51](#)).

**Background, Scope, and Objective**

The New York State Health Insurance Program (NYSHIP), administered by the Department of Civil Service (Civil Service), provides health insurance coverage to over 1.2 million active and retired State, local government, and school district employees, and their dependents. The Empire Plan is the primary health benefits plan for NYSHIP, serving 1.1 million members. Civil Service contracted with CVS Health to administer the Empire Plan's prescription drug program for the period from January 1, 2014 through December 31, 2018. In accordance with the contract, CVS Health was required to negotiate agreements with drug manufacturers for rebates and remit the rebate revenue to Civil Service.

Our initial audit report, issued on August 21, 2020, sought to determine if CVS Health remitted commercial drug rebate revenue related to Empire Plan drug utilization in accordance with its contract with Civil Service. Our audit covered the period from January 1, 2014 through December 31, 2018. We found CVS Health did not collect and remit all rebate revenue that it invoiced to drug manufacturers for rebate-eligible prescription drug claims paid on behalf of the Empire Plan; therefore, Civil Service did not receive all rebate revenue to which it was entitled. As a result, Civil Service was due \$453,029 in rebate revenue for the period of January 1, 2014 through December 31, 2018.

The objective of our follow-up was to assess the extent of implementation, as of October 7, 2021, of the two recommendations included in our initial audit report.

## **Summary Conclusions and Status of Audit Recommendations**

CVS Health officials addressed most of the problems we identified in the initial audit, having partially implemented the report's two recommendations.

### **Follow-Up Observations**

#### **Recommendation 1**

*Remit \$453,029 to Civil Service for additional rebate revenue identified by our audit.*

Status – Partially Implemented

Agency Action – Of the \$453,029 identified in the original audit, \$230,693 has been credited back to Civil Service (on February 29, 2020 and November 30, 2020); \$162,922 was determined by CVS Health not to be eligible for rebate; \$10,783 is in a working status in the rebate process (i.e., still in dispute); and \$48,631 has not been remitted to Civil Service, as CVS Health officials stated these rebates will be paid after all issues found during the original audit are resolved.

#### **Recommendation 2**

*Take corrective steps to ensure all of the Empire Plan's rebate-eligible drug utilization is invoiced, collected from the manufacturers, and remitted in a timely manner to Civil Service.*

Status – Partially Implemented

Agency Action – CVS Health stated it has made several organizational and systems updates, including enhancements to its invoicing process and payment reconciliations to Civil Service. To improve accuracy and timeliness, CVS Health said that it has increased staffing to handle workload and implemented a new system to automate rebate-eligible products. However, CVS Health was unable to provide supporting documentation on the system and process changes. Additionally, both CVS Health and Civil Service are working collaboratively to resolve and establish clear guidelines for the issues that resulted in uncollected and unremitted rebates.

Major contributors to this report were Paul Alois, Laura Brown, Arnold Blanck, Tracy Glover, and Kenneth Gray.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of CVS Health for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Andrea Inman  
Audit Director

cc: Rebecca Corso, Department of Civil Service  
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