



## Department of Health

**ANDREW M. CUOMO**  
Governor

**HOWARD A. ZUCKER, M.D., J.D.**  
Commissioner

**LISA J. PINO, M.A., J.D.**  
Executive Deputy Commissioner

Date 3/17/2021

Ms. Andrea Inman  
Audit Director  
Division of State Government Accountability  
NYS Office of the State Comptroller  
110 State Street, 11th Floor  
Albany, New York 12236

Dear Ms. Inman:

Pursuant to the provisions of Section 170 of New York State Executive Law, I hereby transmit to you a copy of the New York State Department of Health's comments related to the Office of the State Comptroller's final audit report 2019-S-11 entitled, "Medicaid Program: Cost of Pharmacy Services Under Managed Care."

Please feel free to contact Michelle Newman, Assistant Commissioner, Office of Governmental and External Affairs at (518) 473-1124 with any questions.

Sincerely,

Theresa Egan  
Deputy Commissioner for Administration

Enclosure

cc: Ms. Newman

**Department of Health Comments on the  
Office of the State Comptroller's  
Final Audit Report 2019-S-11 entitled, "Medicaid Program: Cost of  
Pharmacy Services Under Managed Care"**

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The following are the Department of Health's (Department) comments in response to the Office of the State Comptroller's (OSC) Final Audit Report 2019-S-11 entitled, "Medicaid Program: Cost of Pharmacy Services Under Managed Care."

**Recommendation #1:**

Conduct timely routine analyses to identify the most cost-effective drugs to the Medicaid program and ensure drug utilization is steered toward drugs with the lowest net cost when medically appropriate.

**Response #1:**

Per the State Fiscal Year 2020-21 enacted budget, the Department is transitioning the Medicaid pharmacy benefit from managed care to the fee-for-service (FFS) program, which will include a single statewide Preferred Drug Program, effective early in State Fiscal Year 2022. Among other benefits, this transition will promote the use of less expensive, equally effective prescription drugs when medically appropriate for all Medicaid members (managed care and FFS), consistent with OSC's recommendation. The transition of the Medicaid pharmacy benefit to the FFS program requires a significant level of coordination with health plans, providers and consumers and, thus, it is imperative that the Department's efforts and resources remain focused on this initiative so that the transition occurs as seamlessly as possible.

The Department will ensure continued access to prescription medications for all Medicaid members through the transition of the pharmacy benefit from managed care to FFS.

**Recommendation #2:**

Should the decision to remove the pharmacy benefit from managed care change:

- Continuously review drug costs to identify drug alternatives that offer the best cost effectiveness to the Medicaid program and that should be given preference on managed care formularies.
- Coordinate with Managed Care Organizations and monitor their formularies to ensure benefits are administered in a manner that generates the greatest cost efficiencies to the Medicaid program.

**Response #2:**

The Department does not anticipate that the decision to transition the pharmacy benefit from managed care will change. However, if this does change, the Department maintains that the approach suggested by OSC disregards managed care rate setting principles and associated costs built into capitated rates.

**State Comptroller's Comment (Refers to Response #2):**

We disagree with the Department's characterization of the audit conclusions as inaccurate. The audit identified significant inefficiencies in the Department's existing practices, and the

correction of these inefficiencies lies with the Department to implement. The Department's decision to move Medicaid pharmacy services from managed care to FFS only corroborates the conclusions that we reached in this audit.

**Response to State Comptroller's Comment:**

The Department continues to work toward implementation of the pharmacy carve-out expeditiously for early in State Fiscal Year 2022.