



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

October 15, 2020

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

Re: CVS Health: Temporary Holding
Account Rebate Revenue
Report 2020-F-25

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: Temporary Holding Account Rebate Revenue* ([2019-S-27](#)).

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, covering nearly 1.1 million members. Civil Service contracted with CVS Health to administer the Empire Plan's prescription drug program for the period 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.

We issued our initial audit report on October 17, 2019. The audit objective was to determine if CVS Health remitted to Civil Service all commercial drug rebate revenue attributable to eligible prescription drug claims maintained in CVS Health's temporary holding account. Our audit covered the period January 1, 2014 through December 31, 2018.

We found that CVS Health improperly designated a temporary holding account, used to process certain prescription drug claims, as "non-rebate-eligible." As a result, CVS Health did not seek rebates from drug manufacturers on claims in the temporary holding account that were rebate-eligible. We identified \$428,958 in rebate revenue that was due to Civil Service for rebate-eligible claims in the temporary holding account for the audit period. CVS Health agreed Civil Service was due the rebates and agreed to remove the "non-rebate-eligible" designation from the temporary holding account. As a result, we projected Civil Service would receive additional rebates of \$1.27 million attributable to rebate-eligible claims in the temporary holding account over the next contract period of January 1, 2019 through December 31, 2023.

The objective of our follow-up was to assess the extent of implementation, as of September 24, 2020, of the two recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

CVS Health officials addressed the problems we identified in the initial audit and implemented the two audit recommendations made in the audit report.

Follow-Up Observations

Recommendation 1

Remit \$428,958 to Civil Service for rebate-eligible claims in the temporary holding account that were not invoiced by CVS Health.

Status – Implemented

Agency Action – On July 27, 2020, CVS Health remitted \$428,958 to Civil Service for rebate-eligible claims in the temporary holding account that were not invoiced by CVS Health.

Recommendation 2

Ensure all future rebate revenue attributable to rebate-eligible claims in the temporary holding account is properly remitted to Civil Service in a timely manner.

Status – Implemented

Agency Action – CVS Health officials stated the “non-rebate-eligible” designation was removed from the temporary holding account effective January 1, 2019, ensuring rebate-eligible claims in the temporary holding account would be properly invoiced and the rebates remitted to Civil Service. We reviewed Rebate Payment Detail Reports, Rebated Claims Files, and Civil Service’s bank statements for the first quarter of 2019 and verified that rebates for a sample of claims in the temporary holding account were invoiced and remitted to Civil Service.

Major contributors to this report were Paul Alois, Cynthia Herubin, Gary Czosnykowski, and Tracy Glover.

We thank the management and staff of CVS Health for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Andrea Inman
Audit Director

cc: Dominique Choute, Department of Civil Service
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