

THOMAS P. DiNAPOLI
STATE COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 27, 2025

Joni Lozano
Division Head, CVS Caremark
CVS Health
420 E. Waterside Drive, Unit 2710
Chicago, IL 60601

Re: CVS Health: Accuracy of
Empire Plan Medicare Rx Drug
Rebate Revenue Remitted to the
Department of Civil Service
Report 2024-F-24

Dear Ms. Lozano:

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 Caremark (a subsidiary of CVS Health) to implement the recommendations contained in our initial audit report, *New York State Health Insurance Program – CVS Health: Accuracy of Empire Plan Medicare Rx Drug Rebate Revenue Remitted to the Department of Civil Service* (Report [2022-S-1](#)).

Background, Scope, and Objective

The New York State Health Insurance Program (NYSHIP), administered by the Department of Civil Service (Civil Service), is one of the nation's largest public sector health insurance programs. NYSHIP covers about 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 over 1 million members. Individuals who are dual enrolled in the Empire Plan and Medicare have their prescription drug coverage under Empire Plan Medicare Rx, a Medicare Part D Prescription Drug Plan with expanded coverage designed especially for NYSHIP.

Since 2014, Civil Service has contracted with CVS Caremark to administer the prescription drug coverage program. From January 2014 through December 2019, the cost of the prescription drug program averaged \$2.5 billion per year. In accordance with the contracts, CVS Caremark was required to negotiate agreements with drug manufacturers for rebates, discounts, and other consideration (herein collectively referred to as "rebates") and remit the rebate revenue to Civil Service. From January 2014 through December 2019, Civil Service received about \$1.2 billion in Empire Plan Medicare Rx rebates.

The objective of our initial audit, issued on June 21, 2023, was to determine if CVS Caremark appropriately invoiced drug manufacturers and remitted corresponding rebate revenue to Civil Service for prescription drugs provided under the Empire Plan Medicare Rx

drug benefit. The audit covered the period January 1, 2014 through December 31, 2019. The initial audit reviewed the rebate revenue generated by Empire Plan Medicare Rx and found that CVS Caremark did not always invoice drug manufacturers for rebates, collect rebates from the manufacturers, or remit all rebate revenue to Civil Service. As a result, we identified \$10,723,916 in rebates that was due to Civil Service from CVS Caremark.

The objective of our follow-up was to assess the extent of implementation, as of June 25, 2025, of the two recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

CVS Caremark made some progress in addressing the issues we identified in the initial audit. CVS Caremark recovered and remitted \$419,233 in rebates to Civil Service; however, CVS Caremark did not provide evidence indicating why the majority of rebates identified in the initial audit were not remitted to Civil Service. CVS Caremark also did not provide any support showing that corrective actions were taken to ensure the timely collection and remittance of all rebate revenue. Of the initial report's two audit recommendations, one was partially implemented and one was not implemented.

Follow-Up Observations

Recommendation 1

Remit \$10,723,916 to Civil Service for the rebate revenue identified by our audit.

Status – Partially Implemented

Agency Action – Of the \$10,723,916 in rebate revenue identified in the initial audit, CVS Caremark remitted \$419,233 to Civil Service, leaving \$10,304,683 that was not remitted. CVS Caremark provided adequate support for \$1,600,500 of the rebates that were not remitted to Civil Service, which demonstrated the related claims were not eligible for rebates. CVS Caremark, however, did not provide any additional information supporting why the remaining \$8,704,183 (\$10,304,683 - \$1,600,500) was not remitted to Civil Service, including \$4,227,271 in rebates related to disputes (i.e., when drug manufacturers disagreed with the original rebates invoiced by CVS Caremark). CVS Caremark officials stated they consider dispute settlements proprietary and would not make such documentation available for review.

Recommendation 2

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

Status – Not Implemented

Agency Action – CVS Caremark officials did not provide documentation indicating any corrective steps were taken. We encourage CVS Caremark to implement corrective steps to ensure all Empire Plan Medicare Rx rebate-eligible drug utilization is invoiced, collected from the manufacturers, and remitted in a timely manner to Civil Service.

Major contributors to this report were Paul Alois, Laura Brown, Gary Czosnykowski, Rachelle Goodine, and Callie Pfleging.

CVS Caremark officials are requested, but not required, to provide information about any actions planned to address the unresolved issues discussed in this follow-up within 30 days of the report's issuance. We thank the management and staff of CVS Caremark for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Andrea Inman
Audit Director

cc: Timothy R. Hagues, Department of Civil Service
Rebecca Corso, Department of Civil Service
Daniel Yanulavich, Department of Civil Service
Katelyn Wilder, Department of Civil Service
Leif Engstrom, Department of Civil Service
Jian Paolucci, Department of Civil Service
Sandra Schleicher, Department of Civil Service
Lisa Geren, Department of Civil Service
Eugene Sarfoh, Department of Civil Service
Joseph Martucci, Department of Civil Service
Erin McCarthy, Department of Civil Service
Theresa Flanagan, Department of Civil Service
Matthew Hall, CVS Caremark
Michelle Kaplan, CVS Caremark
Neil Greene, CVS Caremark
James DeWan, Division of Budget
Matthew Schultz, Division of Budget