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June 18, 2025

Timothy R. Hogues
Commissioner
Department of Civil Service
Empire State Plaza, Building 1
Albany, NY 12239

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

Re: New York State Health Insurance
Program: Incorrect Payments by
CVS Caremark for Medicare Rx Drug
Claims That Were Improperly Paid
Under the Commercial Plan
Report 2025-F-1

Dear Commissioner Hogues and 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 the Department of Civil Service and CVS Caremark to implement the recommendations contained in our initial audit report, *New York State Health Insurance Program: Incorrect Payments by CVS Caremark for Medicare Rx Drug Claims That Were Improperly Paid Under the Commercial Plan* (Report [2022-S-24](#)).

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.

Civil Service contracts with CVS Caremark to administer the prescription drug program for the Empire Plan. This program includes a Commercial Plan for members and their dependents who do not qualify for Medicare, and the Empire Plan Medicare Rx drug plan (Medicare Rx Plan) for retired members and their dependents who do qualify for Medicare. Claims paid under the Medicare Rx Plan are eligible for enhanced drug manufacturer discounts and federal subsidies that are not available for claims paid under the Commercial Plan. Therefore, ensuring that claims for Medicare-enrolled individuals are paid under the Medicare Rx Plan allows for a significant cost avoidance for the State.

The objective of our initial audit, issued on September 13, 2023, was to determine whether CVS Caremark paid claims under the correct prescription drug plan. The audit covered the period from January 2015 through March 2022. We identified claims totaling \$12,358,531 that were incorrectly paid under the Commercial Plan instead of the Medicare Rx Plan.

The objective of our follow-up was to assess the extent of implementation, as of April 22, 2025, of the three recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

Civil Service and CVS Caremark made some progress in addressing the issues identified in the initial audit, including reprocessing over \$5 million in claims under the Medicare Rx Plan. While Civil Service and CVS Caremark continue to perform quarterly reconciliations of member eligibility data, no additional controls had been evaluated or put in place to prevent claims from being inappropriately paid under the Commercial Plan instead of the Medicare Rx Plan. Consequently, we identified \$1.37 million in claims that were paid under the Commercial Plan for Medicare-eligible members since the initial audit (from April 2022 through December 2024). All three of the initial report's audit recommendations were partially implemented.

Follow-Up Observations

To Civil Service and CVS Caremark:

Recommendation 1

Review the \$12,358,531 in claims identified in this report as incorrectly paid under the Commercial Plan to determine which claims to reprocess under the Medicare Rx Plan.

Status – Partially Implemented

Agency Action – Civil Service and CVS Caremark reviewed approximately 52% of the claims identified in the initial audit and determined some claims were eligible for reprocessing under the Medicare Rx Plan. However, approximately 48% of the claims had not yet been reviewed. We encourage Civil Service and CVS Caremark to work together to timely review the remaining claims to identify those eligible for reprocessing.

Recommendation 2

Consider and evaluate additional controls, as needed, to prevent the processing and payment of claims under the incorrect plan and continue to perform periodic reconciliations.

Status – Partially Implemented

Agency Action – We found that additional controls were not considered and evaluated. Civil Service and CVS Caremark continue to perform quarterly reconciliations to detect inconsistencies in member eligibility data between the New York Benefits Eligibility and Accounting System and CVS Caremark's claims processing system. However, despite having the reconciliation process in place, we identified additional claims totaling about \$1.37 million that were processed for Medicare-eligible members incorrectly under the Commercial Plan. We, therefore, encourage Civil Service and CVS Caremark to promptly evaluate additional controls to prevent the processing and payment of claims under the incorrect plan.

To CVS Caremark:

Recommendation 3

Reprocess under the Medicare Rx Plan those claims that were identified as incorrectly paid under the Commercial Plan, as warranted.

Status – Partially Implemented

Agency Action – CVS Caremark began reprocessing eligible claims on January 17, 2025.

According to CVS Caremark officials, over \$5 million of the \$12,358,531 in claims have been reprocessed under the Medicare Rx Plan, and the remaining claims are in various stages of review or reprocessing status. We encourage CVS Caremark to finalize its review and reprocess eligible claims in a timely manner.

Major contributors to this report were Paul Alois, Laurie Burns, Gary Czosnykowski, and Callie Pfleging.

Civil Service and 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 Civil Service and CVS Caremark for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Andrea Inman
Audit Director

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