

New York State Comptroller
THOMAS P. DiNAPOLI

Department of Civil Service

New York State Health Insurance
Program: CVS Caremark Payments Made
Under the Incorrect Plan

June 2026 | Report 2025-S-19

Prepared by the Division of State Government Accountability

Audit Highlights

Objective

To determine whether CVS Caremark paid pharmacy claims under the appropriate plan for Medicare-qualified Empire Plan members. The audit covered the period from January 2022 through June 2025, and January 2019 through December 2025 for certain high-risk Medicare-qualified members.

About the Program

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, covering over 1 million members.

Civil Service contracts with CaremarkPCS Health, L.L.C. (CVS Caremark) to administer the prescription drug program for the Empire Plan. This program includes the Empire Plan Medicare Rx drug plan (Medicare Rx Plan) for retired members who have Medicare (Medicare-qualified) and their dependents, and a Commercial Plan for non-Medicare-qualified members and their dependents. Claims paid under the Medicare Rx Plan are eligible for drug manufacturer discounts and federal subsidies that are not available for claims paid under the Commercial Plan. Accordingly, ensuring that claims are properly paid under the Medicare Rx Plan allows for significant cost avoidance for the State.

Accurate enrollment information is required to ensure a smooth transition from the Commercial Plan to the Medicare Rx Plan for Medicare-qualified members. CVS Caremark relies on enrollment information generated by the New York Benefits Eligibility and Accounting System (NYBEAS), the State's health insurance enrollment system, to determine which plan should pay member claims. Health Benefits Administrators (HBAs) are responsible for updating employee and retiree eligibility and enrollment information in NYBEAS.

Key Findings

The audit determined that CVS Caremark paid prescription drug claims for Medicare-qualified Empire Plan members under the incorrect plan. As a result, we identified \$19.3 million in claims for 338 Medicare-qualified members and their dependents that were incorrectly paid under the Commercial Plan instead of the Medicare Rx Plan. During the audit, we shared our findings with Civil Service and CVS Caremark officials, who began reviewing the claims.

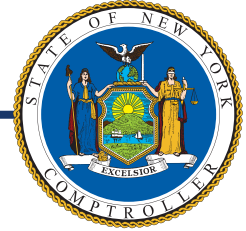
Key Recommendations

To Civil Service and CVS Caremark:

- Continue reviewing the \$19.3 million in incorrectly processed claims identified in this report, update member eligibility information as needed, and reprocess claims as warranted.
- Review controls and update them as needed to ensure that claims are paid under the correct plan.

To Civil Service:

- Continue to monitor HBAs' activities to ensure accurate and timely updates of member enrollment data in NYBEAS.



**Office of the New York State Comptroller
Division of State Government Accountability**

June 4, 2026

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

Joni Lozano
Division Head, CVS/Caremark
CVS Health
7123 Hickory Estates Drive
Sachse, TX 75048

Dear Commissioner Hogues and Ms. Lozano:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the New York State Health Insurance Program entitled *CVS Caremark Payments Made Under the Incorrect Plan*. The audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
Civil Service	Department of Civil Service	<i>Auditee</i>
CVS Caremark	CaremarkPCS Health, L.L.C.	<i>Auditee</i>
Commercial Plan	Empire Plan coverage provided for members who do not qualify to have Medicare as their primary health insurance coverage	<i>Key Term</i>
Empire Plan	Primary health insurance plan for NYSHIP	<i>Key Term</i>
HBA	Health Benefits Administrator	<i>Key Term</i>
Medicare Rx Plan	Empire Plan coverage provided for members who qualify to have Medicare as their primary health insurance coverage	<i>Key Term</i>
NYBEAS	New York Benefits Eligibility and Accounting System	<i>System</i>
NYSHIP	New York State Health Insurance Program	<i>Program</i>

Background

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 provides coverage for about 1.2 million active and retired State, local government, and school district employees, and their dependents. The Empire Plan is the primary health insurance plan for NYSHIP, providing its over 1 million members with four types of health insurance coverage: prescription drug, medical/surgical, hospital, and mental health and substance use services.

Civil Service contracts with CaremarkPCS Health, L.L.C. (CVS Caremark) to administer the Prescription Drug Program for the Empire Plan. Empire Plan members may also have Medicare coverage, the federal health insurance program for people who are age 65 or older and people under 65 who have certain disabilities or medical conditions. The Prescription Drug Program includes a Commercial Plan for non-Medicare-qualified members and their dependents, and the Empire Plan Medicare Rx drug plan (Medicare Rx Plan) for retired members who qualify for Medicare and their dependents. The Medicare Rx Plan is a Medicare Part D Prescription Drug Plan with supplemental coverage mirroring the benefits and drug coverage under the Commercial Plan. Typically, the Medicare Rx Plan receives additional payments for drug claims, such as federal subsidies and discounts from drug manufacturers, to which the Commercial Plan is not entitled. These payments represent a significant portion of the overall cost of the Medicare Rx Plan, typically reducing the Medicare Rx Plan's responsibility and lowering the overall cost to the State. Therefore, it is essential to maintain accurate enrollment data to ensure member claims are paid under the correct plan.

Civil Service and CVS Caremark must work together to ensure that Empire Plan prescription drug benefits are paid under the correct plan. Civil Service is responsible for maintaining the New York Benefits Eligibility and Accounting System (NYBEAS), the State's online health insurance enrollment system, and requires each organization that participates in the Empire Plan to have at least one Health Benefits Administrator (HBA) responsible for processing eligibility transactions in NYBEAS. Civil Service provides guidance and training to HBAs. Civil Service is also responsible for promptly certifying members' eligibility status and providing a daily update file of NYBEAS changes to CVS Caremark. CVS Caremark relies on NYBEAS to determine which plan (Commercial or Medicare Rx Plan) should pay member claims.

During the audit period, January 2022 through June 2025, CVS Caremark processed over \$16 billion in pharmacy claims on behalf of all Empire Plan members.

Audit Findings and Recommendations

Our audit found that CVS Caremark incorrectly paid \$19.3 million in claims for 338 Medicare-qualified members and their dependents under the Commercial Plan instead of the Medicare Rx Plan. We found that Civil Service and CVS Caremark need to review controls and make any necessary updates to ensure that the Empire Plan's prescription drug benefits are paid under the correct plan.

Improper Payments

CVS Caremark relies on accurate enrollment information from NYBEAS to properly adjudicate claims under the correct plan. HBAs are responsible for determining the enrollment eligibility of employees and retirees, updating that information in NYBEAS, and ensuring all eligible employees and retirees are adequately informed of the benefits and availability of the Medicare Rx Plan. We found that HBAs did not always update NYBEAS information accurately or timely.

We analyzed CVS Caremark pharmacy claims processed under the Commercial Plan for 21,243 members who appeared to be Medicare-qualified based on age (over 65), retirement status, and prior Medicare Rx Plan enrollment. We judgmentally selected 1,018 of these members and reviewed additional eligibility details in NYBEAS. Our review identified 338 Medicare-qualified members and dependents whose claims, totaling \$19.3 million, were incorrectly paid under the Commercial Plan.

For example, we found that \$129,317 in claims were processed under the Commercial Plan for a member who had active accounts in both the Commercial and Medicare Rx plans. We determined this occurred because the HBA did not take steps needed to update the member's coverage information in NYBEAS. We shared this example with Civil Service, and officials confirmed that the Commercial Plan coverage should have been canceled before the claims were processed. In another example, we identified a member who retired in August 2017 but whose Medicare Rx Plan coverage was not updated by an HBA in NYBEAS until January 2025. As a result, the Commercial Plan incorrectly paid claims totaling \$53,740 during this time.

Civil Service officials indicated they are reviewing the \$19.3 million in claims; however, they noted that while claims may have been processed under the wrong plan, not all claims can be reprocessed unless a Medicare Rx Plan account had been established for the member. CVS Caremark officials stated that they are prepared to reprocess any claims incorrectly paid under the Commercial Plan, provided Civil Service furnishes the required information. Additionally, Civil Service officials stated they have initiated an HBA audit program to monitor the accuracy and timeliness of NYBEAS member enrollment information.

Recommendations

To Civil Service and CVS Caremark:

1. Continue reviewing the \$19.3 million in incorrectly processed claims identified in this report, update member eligibility information as needed, and reprocess claims as warranted.
2. Review controls and update them as needed to ensure that claims are paid under the correct plan.

To Civil Service:

3. Continue to monitor HBAs' activities to ensure accurate and timely updating of member enrollment data in NYBEAS.

Audit Objective, Scope, and Methodology

The objective of our audit was to determine whether CVS Caremark paid pharmacy claims under the appropriate plan for Medicare-qualified Empire Plan members. The audit covered the period from January 2022 through June 2025. Additionally, we expanded our audit scope to include January 2019 through December 2025 for certain high-risk Medicare-qualified members.

To accomplish our audit objective and assess related internal controls, we reviewed coverage rules for the Commercial and Medicare Rx plans and interviewed officials from Civil Service and CVS Caremark. We analyzed pharmacy claims for the audit period and compared the service dates with the member's eligibility record in NYBEAS. We considered any Commercial Plan payments made for a member while their eligibility records reflected active Medicare Rx Plan coverage to be paid under the incorrect plan.

We used a non-statistical sampling approach to provide conclusions on our audit objective and to test internal controls and compliance. We selected judgmental samples. Because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples included:

- A judgmental sample of 1,002 of 18,876 at-risk members was selected to review eligibility information in NYBEAS based on a \$10,000 threshold of total potential incorrect payments.
- A judgmental sample of 16 of 2,367 members was selected to review eligibility information in NYBEAS based on largest total potential incorrect payments.

We obtained data from Civil Service and CVS Caremark and assessed its reliability by reviewing existing information, interviewing officials knowledgeable about the systems, and performing electronic testing. We determined that the data from Civil Service and CVS Caremark is sufficiently reliable for the purposes of this audit.

Statutory Requirements

Authority

The audit was performed 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 conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. These duties could be considered management functions for the purpose of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent performance audit of Civil Service's oversight and administration of CVS Caremark's payments for pharmacy services.

Reporting Requirements

We provided a draft copy of this report to Civil Service and CVS Caremark officials for their review and formal comment. We considered Civil Service's and CVS Caremark's comments in preparing this report and have included them in their entirety at the end of the report. In their responses, Civil Service and CVS Caremark officials concurred with the audit recommendations and indicated that actions have been and will be taken to address them.

Within 180 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Civil Service shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Civil Service Response



KATHY HOCHUL
Governor

TIMOTHY R. HOGUES
Commissioner

May 19, 2026

Christopher Morris, Audit Director
Office of the State Comptroller
110 State Street – 11th Floor
Albany, NY 12236-0001

Re: Draft Audit Report 2025-S-19

Dear Mr. Morris:

Thank you for sharing the draft report and findings for OSC's 2025-S-19 audit titled New York State Health Insurance Program: CVS Caremark Payments Made Under Incorrect Plan and for providing the claims data from your findings.

The Department has worked diligently in recent years to address the issues associated with the findings. In addition to initiating monthly eligibility reconciliations with CVS Caremark, the Department has started a continuous audit program of the Health Benefits Administrators (HBA) to monitor the accuracy and timeliness of their eligibility information.

Regarding Recommendation 1, the Department agrees. During the audit, Department staff reviewed samples of the identified claims and agreed that CVS Caremark should reprocess the claims that can be reprocessed. The Department will continue to work with CVS to ensure the eligible claims are reprocessed under the Medicare Rx Plan.

Regarding Recommendations 2 and 3, the Department agrees. The Department consistently looks for more effective ways to reduce the risks associated with enrollment data transfers. The Department shares daily correction reports with CVS while the monthly Commercial Plan enrollment reconciliations and the quarterly Medicare Rx Plan reconciliations will continue. In addition, the Department has

initiated an HBA audit program intended to improve the accuracy and timeliness of their work.

Thank you again for the opportunity to provide feedback on this draft report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Daniel Yanulavich".

Daniel Yanulavich, Director
Employee Benefits Division

The New York State Department of
Civil Service
Claims Audit Response
Dated May 2026

Regarding:

Office of the State Comptroller
Draft Audit Report

Dated April 2026



INTRODUCTION

Office of the State Comptroller performed an audit of The New York State Department of Civil Service (Civil Service), a client of CVS Caremark®. Office of the State Comptroller's objective was to determine the financial accuracy of claims paid during the period of April 1, 2022 through June 30, 2025..

CVS Caremark has reviewed and researched the findings reported by Office of the State Comptroller to determine whether, in our view, there are outstanding financial liabilities owed to our client and/or opportunities for process improvement. Below is our response to the findings reported by Office of the State Comptroller.

FINDINGS

There was one (1) general finding within the Office of the State Comptroller report.

OSC Finding 1: Improper Payments

CVS Caremark relies on accurate enrollment information from NYBEAS to properly adjudicate claims under the correct plan. Health Benefits Administrators (HBAs) are responsible for determining the enrollment eligibility of employees and retirees, updating that information in NYBEAS, and ensuring all eligible employees and retirees are adequately informed of the benefits and availability of the Medicare Rx Plan. We found that HBAs did not always update NYBEAS information accurately or timely.

We analyzed CVS Caremark pharmacy claims processed under the Commercial Plan for 21,243 members who appeared to be Medicare-qualified based on age (over 65), retirement status, and prior Medicare Rx Plan enrollment. We judgementally selected 1,018 of these members and reviewed additional eligibility details in NYBEAS. Our review identified 338 Medicare-qualified members and dependents whose claims, totaling \$19.3 million, were incorrectly paid under the Commercial Plan.

For example, we found that \$129,317 in claims were processed under the Commercial Plan for a member who had active accounts in both the Commercial and Medicare Rx plans. We determined that this occurred because the HBA did not take steps needed to update the member's coverage information in NYBEAS. We shared this example with Civil Service, and officials confirmed that the Commercial Plan coverage should have been canceled before the claims were processed. In another example, we identified a member who retired in August 2017 but whose Medicare Rx Plan coverage was not updated by an HBA in NYBEAS until January 2025. As a result, the Commercial Plan incorrectly paid claims totaling \$53,740 during this time.

Civil Service officials indicated they are reviewing the \$19.3 million in claims; however, they noted that while claims may have been processed under the wrong plan, not all claims can be reprocessed unless a Medicare Rx Plan account had been established for the member. CVS Caremark officials stated that they are prepared to reprocess any claims incorrectly paid under the Commercial Plan, provided Civil Service furnishes the required information. Additionally,

Civil Service officials stated they have initiated an HBA audit program to monitor the accuracy and timeliness of NYBEAS member enrollment information.

Recommendations

To Civil Service and CVS Caremark:

1. Continue reviewing the \$19.3 million in incorrectly processed claims identified in this report, update member eligibility information as needed, and reprocess claims as warranted.
2. Review controls and update them as needed to ensure that claims are paid under the correct plan.

To Civil Service:

3. Continue to monitor HBA's activities to ensure accurate and timely updating of member enrollment data in NYBEAS.

CVS Caremark Response:

CVS Caremark reviewed the finding in relation to claims paid for members under the incorrect plan, totaling approximately nineteen million, three hundred thousand dollars (\$19,300,000) for three hundred thirty-eight (338) members identified by auditor.

When CVS Caremark receives enrollment information from the Center for Medicare and Medicaid Services (CMS), those details are then submitted to the State via a Feedback File (FBF) which includes Transmission Reply Codes (TRCs). Upon receipt of this reporting, it is Civil Service's responsibility to request any applicable disenrollment from the Commercial line of business for those Medicare-primary members. In addition to Feedback Files, Summary Load Reports (SLRs) are also sent to the client on a regular basis and reflect the status of each member record.

During the course of the audit, OSC submitted to CVS Caremark sample claims for review. CVS Caremark's review determined that eligibility for these members was processed based on the information supplied by Civil Service. Details of each member's eligibility were confirmed as having been reported to Civil Service via SLRs and FBFs. Our analysis of these samples aligns with OSC's finding that "HBAs did not always update NYBEAS information accurately or timely." CVS Caremark continues to process eligibility information in accordance with the contract and files received by Civil Service.

It is our view that we are in compliance with the contract, and there are no material financial discrepancies related to the finding. CVS Caremark is prepared to submit for reprocessing of claims that adjudicated through Commercial line of business instead of EGWP, pending receipt of applicable information by Civil Service. CVS Caremark is committed to process enhancements where applicable and will continue to monitor for available improvements moving forward.

SUMMARY

Based on CVS Caremark's review of the finding, CVS Caremark is adjudicating claims in accordance with the eligibility that has been supplied. If Civil Service chooses to request CVS Caremark reprocess any claims that adjudicated under the incorrect line of business based on the eligibility that was provided by the Civil Service, CVS Caremark Account Team is available to submit for reprocessing provided the State supply the necessary information required.

It is our view that we are in compliance with the contract, and there are no material financial discrepancies related to the finding.

Upon confirmation from Civil Service that the results are accepted, and the audit can be closed, CVS Caremark will close the audit. By closing the audit, Civil Service agrees that CVS Caremark has no further liability with respect to claims adjudicated by CVS Caremark, and related services, for the period from March 1, 2022 through June 30, 2025 and will not be subject to any further audits for this time period by or on behalf of Civil Service.

State Comptroller's Comment – The Office of the State Comptroller (OSC) conducts independent audits pursuant to its constitutional and statutory authority. CVS Caremark cannot unilaterally restrict OSC's ability to audit.



Contact

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Prepared by the Division of State Government Accountability

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