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February 1, 2017

Performance Audit  
Recommendations and Corrective  
Actions for Audit: 13-6

CORRECTIONAL HEALTH CARE

Annual Cost Overruns, but  
Contract Oversight Has Improved

Dated: 10/24/2013

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# Overview

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The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations, although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities one and three years after the calendar year in which the audit report is issued. Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

<http://auditor.vermont.gov/about-us/strategic-plans-and-performance-reports>

This report addresses the requirements of Act 155 (2012) to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state's financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our current contract for this work requires the contractor to provide the results of its recommendation follow-up.

Audit No., Name	Rec #	Recommendation	Follow-Up Date	Status & Date	Review Comments
<a href="#">13-6</a> <a href="#">Correctional</a> <a href="#">Healthcare</a> <a href="#">Annual Cost</a> <a href="#">Overruns, but</a> <a href="#">Contract</a> <a href="#">Oversight Has</a> <a href="#">Improved</a>	1	Evaluate Correct Care Solution's (CCS) process for controlling unused and expired medications and ensure that controls are in place to provide safeguards that medications designated for return to the pharmacy subcontractor are accounted for and returned.	2015	Implemented	<p>Upon the issuance of our audit report, DOC provided written procedures for handling returns, discounted, and expired medications which we included in the audit report (see appendix III). In November 2013, CCS pharmacy subcontractor, Maxor, provided locked storage containers for returning medications and hired a part-time pharmacist to oversee medications in all the correctional facilities. The pharmacist performs quarterly audits and training at each facility to ensure procedures are being followed for proper inventory levels, handling, storage, and disposition of medications which resulted in DOC reducing their on-hand inventory of medications. Since implementing our recommendation, DOC received reimbursements of \$450,212 for returned medications over a 15 month period, compared to \$8,331 for returns in a six month period as noted in our audit finding. Inventory controls and monitoring of medications continue under the new correctional healthcare contract with Centurion of Vermont and its subcontractor, Maxor Pharmacy Services, effective February 1, 2015.</p>
		No further follow-up is required because the recommendation was implemented.			
	2	Develop a policy that minimizes the cost of bridge medications and directs CCS to ensure that this policy is consistently followed at all of the correctional facilities. This policy should include, at a minimum: 1) providing inmates with their on hand medications upon release, where possible; 2) limiting the amount of bridge medication provided to the inmate to no more than that which is needed until a scheduled appointment date with an outside provider; and 3) establishing guidelines for when it is, and is not, appropriate to provide bridge medications to short term inmates.	2015	Implemented	<p>DOC has fully implemented this recommendation. For example: DOC reported savings of 60% by switching from InMedRx to Maxor pharmacy for release medications; DOC realized an additional savings of 37% for utilizing Maxor as their backup pharmacy; DOC implemented policies that (a) provides a maximum 7 day supply of medication from a backup pharmacy; (b) establishes guidelines for medications for short term inmates; and (c) provides inmates with their on hand medications upon release. In negotiating the terms of the new contract with Centurion, DOC maintained the use of Maxor for pharmaceutical services effective 2/1/15 and limited the amount of bridge medications (excluding HIV and sychotropic meds) to a 14 day supply for individuals who are not enrolled in an insurance plan or whose next appointment date is unknown.</p>
		No further follow-up is required because the recommendation was implemented.			
	3	Ensure that CCS is collecting inmates' insurance information and billing their insurance for appropriate claims	2015	Partially Implemented	<p>DOC facility staff, field staff, and Correct Care Solutions (CCS) staff attended two days of training with Vermont Health Connect (VHC) in September 2014, which resulted in the staff's designations as Certified Application Counselors (CAC), who will assist the inmates in applying for insurance coverage. DOC reported that a new electronic health record system is scheduled for installation by February 1, 2016. The system will allow inmate's insurance information to be tracked for billing and reporting purposes.</p>
		2016	Partially Implemented	<p>DOC reported that a new Electronic Health Record (EHR) system has been implemented which allows all data regarding inmate insurance to be captured for reporting purposes. DOC has initiated a workgroup to determine the feasibility of billing the patient's exchange or purchased insurance policy. However, there is currently no process to bill the patient's insurance company while they are in DOC custody.</p>	

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	No further follow-up is required because the recommendation was implemented.				
	5	Include a plan for a monitoring process at the outset of any new contract to provide reasonable assurance that effective cost and performance controls are in place as soon as the contract is enacted and that applicable penalties are assessed in a timely manner.	2015	Partially Implemented	At the onset of the Centurion contract, DOC developed performance metrics and created a tracking mechanism for deliverables which the contractor updates and provides to DOC on a monthly basis with the required reports. As part of the monitoring process, DOC performs quarterly reviews of the contractor's financial data, which includes pharmaceutical utilization reports. A process for accessing applicable penalties, e.g., liquidated damages are being developed. However, the assessment of liquidated damages, penalties, and performance measures will not become effective until February 1, 2016 as indicated in the contract because of delays in the implementation of DOC's new electronic health record system. Therefore, this recommendation is partially implemented.
			2016	Implemented	DOC reported that holdbacks are taken each month. Centurion does not provide reports in accordance with the contract terms. If the report is subsequently provided, the holdback is released. If not, DOC takes the number of hours needed to respond to legitimate grievances and multiplies by the hourly rate of \$351.44, to calculate the liquidated damages which are deducted from Centurion's monthly invoice. Since February 2016, DOC has taken a total of \$17,338 in liquidated damages.