PHARMACY MANAGEMENT CONSULTING SERVICES

Monthly Summary Report
To The
California Prison Health Care Receivership Corporation

September 2008

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Summary of Activities September 2008

Implementation of the goals and objectives of the Road Map for improvements to the CDCR pharmacy program continued to make progress during this reporting period. This report updates activities during the month of September 2008.

Key activity during this reporting period focused on:

- activities related to building and equipping a central fill pharmacy;
- addressing pharmacy staffing needs through a revamped centralized hiring process and continuing the development of improved staff competencies;
- actively working with the ongoing CDCR Pharmacy & Therapeutics Committee to continue to foster improvement;
- maintaining an active and aggressive purchasing and contracting program;
- continuing to extend the GuardianRx® pharmacy operating system to additional facilities; and,
- assisting in the 2008 Influenza patient and employee vaccination initiative.

Central Fill Pharmacy Facility

During the month of September, work began to implement two approved recommendations related to the Central Fill Pharmacy Facility. The Receiver has approved the selection of a Sacramento site location for the proposed Central Fill Facility and has approved the recommendation of an automation vendor to design and equip the facility.

With the final recommendation on the site location approved, DGS, CDCR and Maxor are working cooperatively to negotiate final lease and/or purchase terms with the property owner. Additionally, preliminary work has been initiated on block diagram floor plans for the new pharmacy facility and development of build-out specifications.

Concurrently, work has commenced to finalize a contract for automation equipment and services for the Central Fill Pharmacy facility. A draft contract document detailing the specifications and requirements has been prepared in conjunction with attorneys representing the CPHCS and with contracting specialists at CDCR. Final review and approval processes are underway, with approval anticipated by mid October 2008.

Pharmacy Staffing and Training Activities

During September, the newly implemented statewide process of centralized hiring for Pharmacist I and Pharmacist II positions continued to yield positive results. This effort, initiated by the Office of the Receiver and involving both Maxor and CDCR, is intended to assist in filling critical vacancies for pharmacists and includes updated processes for credentialing, coordination of interviews and making final selections. Centralizing the hiring process for Pharmacist I and Pharmacist IIs has greatly facilitated filling vacant positions. Since Centralized hiring began in May 2008, a total 48 interviews have been conducted. To date, seven (7) pharmacists have been hired and have started their employment in CDCR. 10 offers are pending and 6 others are in late stages of the hiring process.

In the meantime, recruiting activities continue at high gear by the Plata Workforce Support unit and Maxor. The group has participated in several national and local events, and several will participate in career days at colleges of pharmacy throughout the State as well as the annual meetings of the CSHP and the American Society of Health System Pharmacists.

Clinical Pharmacy Specialists (CPS) continued their active support of pharmacy initiatives by providing in-service training to providers, pharmacy and nursing staff on the Chronic Obstructive Pulmonary Disease (COPD), Asthma and PUD/GERD Disease Medication Management Guidelines. CPS provided in-service to mental health providers on the Schizophrenia DMMG and outlined the Abilify therapeutic interchange program. Additionally, the CPS team conducted multiple in-services to health care staff on pharmacy policies and procedures, formulary changes, the non-formulary process and other topics as requested.

The use of the *MC Strategies* online training and assessment tool to provide in-service training has continued, with new modules added for pharmacists on pharmacy policies and procedures including Chapters 9, 11 and 16. A direct link has been added to all GuardianRx computers to allow direct access to MC Strategies modules. A monthly progress report on training activities is provided to each PIC.

Pharmacy and Therapeutics Committee Activities

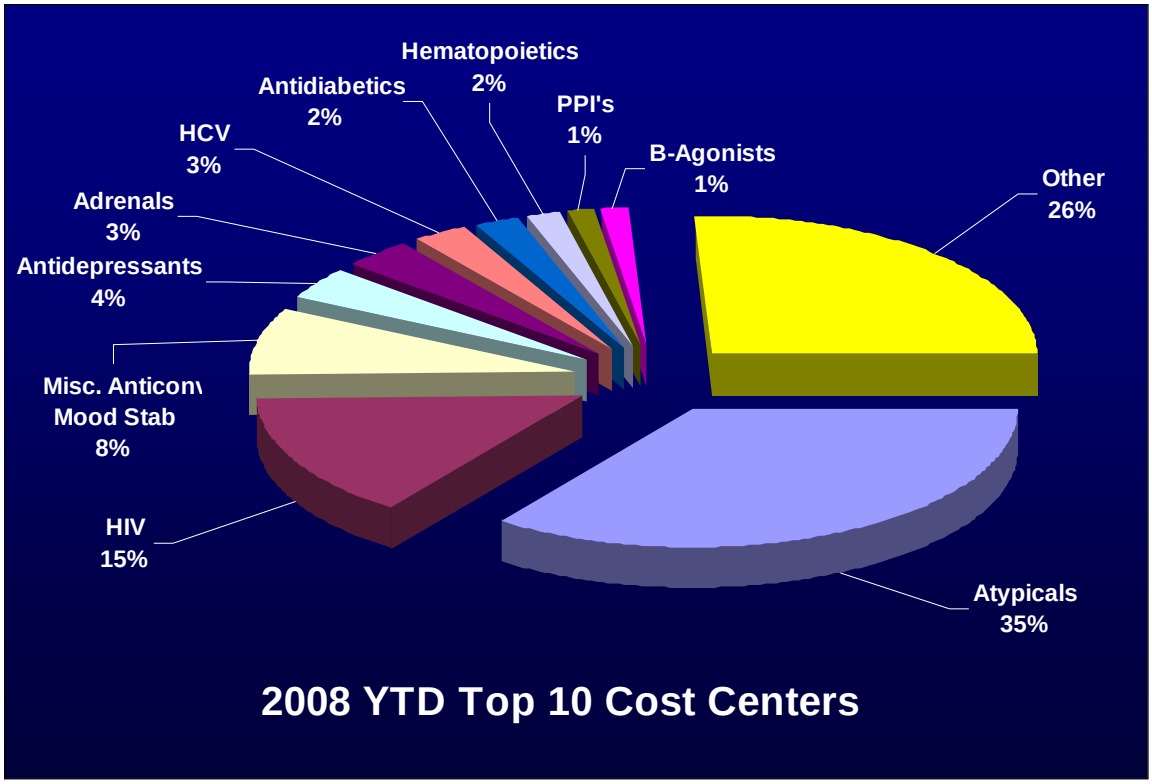
The Pharmacy and Therapeutics (P&T) Committee has continued its monthly meetings to address formulary issues, discuss and approve Disease Medication Management Guidelines (DMMG), and review and approve pharmacy policies and procedures. The P&T Committee approved revisions to Chapter 26-Investigational Medications, Chapter 39-Transfer Medications, and Chapter 30-Pharmacy Technicians and Ancillary Staff. In addition, a new policy, Chapter 31-Use of Tricyclic Antidepressants was approved.

Formulary changes were reviewed and one addition and three deletions approved. The EENT Therapeutic Category Review was completed. As a result of this review, atropine

(Isopto-Homatropine) 1% solution was added to the formulary. Homatropine (Isopto-Homatropine) 5% solution and muprirocin (Bactroban) nasal ointment were deleted from the formulary.

A renewed emphasis on provider education in formulary processes and medication utilization management was initiated in September, with participation of the Maxor Medical Director in both medical and mental health clinical leadership meetings. During these meetings, information on the formulary and non-formulary processes was shared and data showing utilization trends and costs was provided. This ongoing effort is intended to increase provider awareness and responsiveness to medication utilization issues. Included in this information was a chart (Figure 1) depicting the top ten cost center medication categories in 2008 to date:

Figure 1



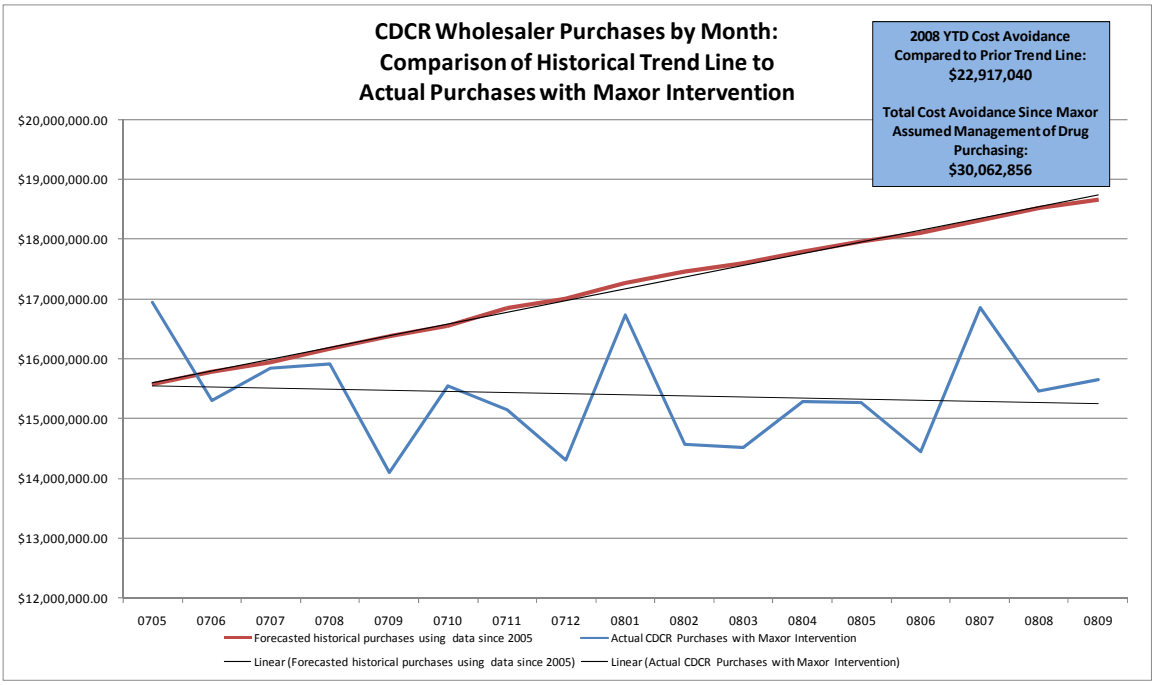
In addition to sharing this type of data directly with the provider leadership groups, a series of informational columns will be provided for general consumption via the pharmacy newsletter, beginning with the September issue.

Purchasing and Contracting Activities

The cost avoidance resulting from improved management oversight and direction of purchasing and contract activities continues to yield positive results. Total net savings since Maxor was asked to assume responsibility for purchasing and contracting in April

of 2007 now totals about $30.1M (see Figure 2 below). In 2008 alone, year-to-date cost avoidance is in excess of $22.9M.

Figure 2



Contract, purchase and inventory monitoring efforts continue to yield results by avoiding unnecessary costs due to out-of-stock orders and ensuring that the correct contracted items are purchased. This month, $135,968 in cost avoidance was realized by working with the wholesaler to ensure the best priced items were sufficiently stocked at the regional distribution centers and another $220,686 in cost avoidance by directly working with the facilities to ensure the correct contracted items were purchased. Additionally, the cost avoidance savings for this month resulting from various targeted contract initiatives totaled more than $1.5M:

Targeted Contract Item	**Cost Avoidance this Month**
Statins	595,965
Pegasys	475,610
Proton Pump Inhibitors	171,738
Asmanex	126,100
Nasal Steroids	82,054
Insulin	52,706
Proventil HFA	14,310
Total	**1,532,793**

The Maxor team is also continuing its efforts to objectively validate the improvements for any facility moving from non-passing to passing status in their monthly inspection reports. An analysis of the inspection process including a detailed review of facility level progress was conducted and will be presented to the P&T Committee in October 2008.

An operational process review by Maxor pharmacy specialists of inventory and purchasing controls was conducted at CMC during September to assess compliance with operational policy and procedures and to identify opportunities for improved inventory control and accountability. A report detailing findings of the review is being prepared and will be provided to both the facility and CPHCS leadership in October. In addition, the Maxor executive team participated in an in-depth review, as requested by the Office of the Receiver, of medication administration practices and post-Guardian implementation status at CMC—a report was prepared and utilized by the principle CPHCS investigator for a coordinated report to be presented to the Receiver.

Guardian Implementation

GuardianRx® has been successfully implemented now in fifteen sites (CCC, HDSP, FOL, MCSP, SQ, SAC, CMC, CVSP, ISP, COR, SATF, CIW, CCWF, VSPW and DVI). Group training for Pharmacists-in-Charge on the GuardianRx® system and the implementation process has continued as scheduled, with two training sessions held in September. Both MCSP and SAC are now designated as training centers for the northern region.

Based on an earlier determination, a review of the GuardianRx® implementation schedule was conducted by the GuardianRx Steering Committee to assess progress following conversion of the first third of the state's facilities. A decision was jointly reached and approved by members of the steering committee to revise the GuardianRx® rollout schedule in order to allow time for more training, to allow a reasonable period of time to orient newly recruited nursing implementation leadership staff, to improve efficient use of limited rollout team resources and to allow facilities with significant infrastructure issues additional time to address those challenges. A revised schedule for the next six conversion sites has been approved, detailing conversion activities through March of 2009. A schedule for the remaining facilities is still under discussion and development by the steering committee.

In a related activity, Maxor was asked to evaluate the feasibility of replacing Pelican Bay's Drug Therapy Management System (WORx) with the GuardianRx system, due to the pending expiration of support for the WORx system. In conjunction with the CPHCS Project team, a document was prepared to outline the approach and work required to accomplish this task. The document addresses the technical aspects of this request and was based upon information obtained through project discussions and from components of technical documentation provided by the California Department of Corrections. The approach to implementation, as well as a timeline and resource requirements was detailed. Coordination of this important effort continues.

Influenza Vaccination Program

Working with the CPCHS clinical leadership and the Public Health Unit, Maxor has worked to ensure that sufficient influenza vaccine was procured and distributed in a timely manner to support the 2008 Influenza Vaccination initiative. More than 120,000 doses of the vaccine are currently available and distributed throughout the various CDCR facilities in accordance with pre-determined targeted levels. During this process, the Maxor Supply team responded immediately to coordinate correction of a significant shipping error made by the manufacturer, resulting in the need to retrieve, return and replace more than 50,000 doses (at the manufacturer's costs). Corrected shipments were received and verified. Vaccine orders include a small quantity of thiomerisol free vaccine for use as needed at the women's facilities. Provisions have been made for placement of the first supplemental order during October as approved by the Public Health Unit. An addition supplemental order, as necessary, will be reviewed and processed after reassessment of the initiative and need for additional doses in late October-early November.

Summary of Changes to Timeline

In the sections below, a listing of objectives completed, objectives delayed, objective timelines proposed for change (subject to review and approval of CPR) and a listing of timeline changes that have been approved by the CPR are provided.

Objectives Completed

- Objective A.1. A central pharmacy services administration, budget and enforcement authority was established on January 23, 2007.
- Objective A.2. Direct lines of authority were established to all pharmacy services personnel and linkages to central medical staff were defined.
- Objective A3: A complete update of system-wide pharmacy policies and procedures has been completed. Ongoing maintenance and regularly scheduled policy reviews are now underway.
- Objective B.1. A revised and reconstituted Pharmacy & Therapeutics Committee was established. Meetings are held the second Tuesday of each month. Current membership includes representation from central, regional and institutional level providers, as well as experts representing Coleman and Perez issues and the Department of Mental Health.
- Objective B.4: Develop and implement an effective and enforceable institution audit process.
- Objective C.1: Monitor wholesaler (vendor) to ensure contract compliance.
- Objective D2: Complete skill set inventory of state and registry employees and provide required training, performance measures, and disciplinary measures as needed for existing employees.
- Objective D.3: Develop an effective means of documenting and tracking employee training, education, performance, and disciplinary action.

Objectives Delayed

All objectives except for A1.1 (hiring clinical specialists) are progressing according to the revised schedule adopted earlier this year as a part of the Receiver's overall Plan of Action. Hiring qualified clinical pharmacists has been difficult. Active recruitment efforts for hiring of clinical pharmacists continue and a new approach encouraging the development of entry-level positions to the required competency level was approved.

Objective E.2, relating to the development of the Central Fill Pharmacy Facility is progressing, but due to delays in selecting the site location and contracting for the automation services, completion of this objective will likely be delayed until mid-year 2009. Continued evaluation of the progress will be made and if necessary, a request for timeline change will be submitted once final contracts are in place for the facility build-out and equipment installations.

Objective Timelines Proposed for Change

No additional changes to objective timelines are proposed at this time.

Objective Timeline Change Approvals

Objective F.4 GuardianRx® Implementation. Approval was previously requested to change the current timeline calling for completion of the GuardianRx® implementation by the end of December 2008 to May of 2009. This change is consistent with the jointly developed implementation schedule agreed to by the Maxor/CPR GuardianRx® teams. Due to the change in the implementation schedule discussed above, it is anticipated that completion of this objective will be delayed until the end of 2009. A formal revision to the GuardianRx® schedule is forthcoming.

Issues or Obstacles to Success

Managing change of the magnitude being implemented through the efforts of the Receiver's office and in particular, as a part of the Pharmacy Program Improvement *Road Map*, continues to present challenges, including managing labor relations as policies and procedures are amended to improve processes, enhance quality of services and increase accountability. Maxor leadership, in conjunction with CPHCS and CDCR staff are committed to working through these challenges in a timely manner. However, the coordination and implementation activities and resources required to address these challenges are significant and have resulted in unseemly delays in implementation of necessary changes. As the improvement process proceeds, managing this aspect of the change process underway will continue to present challenges requiring significant attention and resources.

Monthly Attachments

The section below contains links to the Pharmacy Dashboard, Pharmacy Inspection Grid, and the Timeline Tracking Grid attachments provided for review.

Appendix A - Pharmacy Dashboard

10.07.08 Pharmacy Dashboard.xls

Appendix B - Pharmacy Inspection Grid

10.07.08 Pharmacy Inspection Grid.xls

Appendix C – Maxor Timeline and Tracking Grid

MaxorTimeline.xls