Office
of
The
County
Controller

REVIEW OF THE ALLEGHENY CORRECTIONAL HEALTH SERVICES, INC. EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2005

January 9, 2007

MARK PATRICK FLAHERTY
Controller
County of Allegheny

Contents

Letter 1

Executive Summary 3

Introduction 9

Scope & Methodology 12

Schedule I: Schedule of Program Expenses 13

Findings and Recommendations

Finding #1: ACHS Should Implement Internal Controls 14

Finding #2: Inmate Medical Costs Are Not Being Properly Controlled 17

Finding #3: ACHS Needs to Reduce the Jail's Medication Costs 20

Finding #4: Duplicated ACHS Invoices, Questionable Costs and Unsupported Cash Disbursements 25

Finding #5: ACHS Accounts Payable Balance at Year End Totaled $906,982 28

Finding #6: ACHS Does Not Charge Inmates a Fee for Health Care Services 29

Schedule II: Summary of Inmate Health Costs 31

Response from Allegheny Correctional Health Services 33

County of Allegheny

MARK PATRICK FLAHERTY
CONTROLLER

OFFICE OF THE CONTROLLER
104 COURTHOUSE ♦ 436 GRANT STREET
PITTSBURGH, PA 15219-2498
PHONE (412) 350-4660 ♦ FAX (412) 350-4770

GUY A. TUMOLO
DEPUTY CONTROLLER

August 21, 2006

Ms. Dana Phillips
Chief Operating Officer
Allegheny Correctional Health Services, Inc.
3333 Forbes Avenue
Pittsburgh, PA 15213

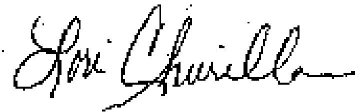
Dear Ms. Phillips:

We completed a review of the Allegheny Correctional Health Services, Inc. expenses for the period ended December 31, 2005. The purpose of our review was to assess the internal controls relating to healthcare costs for Allegheny County Jail inmates during our review period.

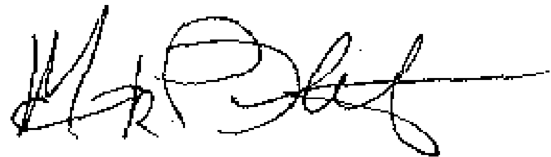
Our review revealed that ACHS needs to implement internal controls with a focus on strengthening health care management, documentation and accountability. In addition, we noted ACHS does not have contracts for critical business relationships, fails to verify that healthcare services on vendor invoices were actually performed, authorized and billed at appropriate rates, and lacks formal competitive bidding procedures.

Our findings and recommendations are provided in detail in the attached report. Our recommendations provide a framework to make ACHS's administration of inmate health care services more efficient and effective from both an operational and cost standpoint. Careful and ongoing monitoring of vendor practices, quality of care provided, and contract compliance are essential cost containment and management controls.

Very truly yours,



Lori Churilla
Audit Manager



MARK PATRICK FLAHERTY
Controller

cc: Honorable Richard Fitzgerald, President, County Council
Honorable William Russell Robinson, County Council
Honorable Dan Onorato, Chief Executive
Mr. James M. Flynn, Jr., Allegheny County Manager
Mr. Ramone Rustin, Warden, Jail
Dr. Bruce Dixon, Director, Health Department
Ms. Amy Griser, Budget Director
Jail Oversight Board
Mr. Joseph Catanese, Council's Chief of Staff
Ms. Jennifer Liptak, Council's Budget Director
Mr. Guy A. Tumolo, Deputy Controller
Mr. Robert J. Lentz, Assistant Deputy, Accounting
Ms. Pamela Goldsmith, Communications Director

EXECUTIVE SUMMARY

Background:

Allegheny Correctional Health Services, Inc. (ACHS) is a nonprofit corporation that was established in October 2000 for the sole purpose of providing health services to individuals remanded by the Courts to the Allegheny County Jail (Jail). According to state law the County is responsible to finance the medical cost of inmates.

The Allegheny County Health Department contracts with ACHS to provide health, mental health, drug and alcohol treatment and education services on-site and, when necessary, sends inmate patients to community hospitals and providers. ACHS has a contract with the Allegheny County Health Department totaling $9 million dollars for calendar year 2005. Additionally, ACHS has a contract with the Department of Human Services totaling $573,044 for fiscal year 2004/2005 and $618,044 for fiscal year 2005/2006. ACHS also received funding totaling $165,000 through a grant from the Pennsylvania Commission on Crime and Delinquency to expand drug and alcohol treatment services at the Jail. Health services include a screening for all persons admitted to the Jail, as well as routine medical, prescription drug, dental, vision and mental health care. There were 26,947 offenders committed to the Jail in 2005, either to serve sentences or to await trials. Throughout 2005 ACHS employed approximately 152 employees plus contracted providers to provide these medical services.

ACHS's expenses for 2005 totaled $9,789,879. Of this amount, $5,524,846 or (56%) was for personnel and benefits, $2,009,634 (21%) was for contracted medical services, $1,870,674 or (19%) was for program supplies and services and $384,725 or (4%) was for general and administrative expenses.

Based on the above expenses, it cost approximately $11.35 per day per inmate for health related costs only. This is a 110% increase since 2001 when the medical cost per inmate averaged $5.41. According to the Jail, the 2005 average per capita cost per inmate averages $52.75 per day. Together, these 2005 costs average $64.10 a day for each inmate incarcerated at the Jail.

ACHS has seen an increase of 137% in expenses since 2001, while the number of inmate days served in the Jail increased 13%. In particular, salaries have increased 90%,

administrative services have increased 83%, medical supplies increased 182% and contracted medical services increased 420% since 2001.

Results in Brief:

Our testing disclosed:

Finding #1:

- ACHS does not have a formal competitive bidding process to ensure that the lowest possible price is obtained. In addition, ACHS does not have contracts with all providers.
- ACHS does not monitor or actively manage the number of outside referrals and the use of diagnostic tests.
- ACHS does not verify the procedures billed on the vendor invoices were actually performed and authorized.
- ACHS does not perform an accurate inventory of drugs. Because ACHS manually records the medication administered to inmates, it cannot reconcile the medication administered to the inventory removed from the pharmacy. This could result in the theft of medication going undetected.
- ACHS does not ensure that contractors are being reimbursed at rates specified in the contracts.

Finding #2:

- Inmate medical costs are not being properly controlled. From 2001 to 2005, ACHS' costs have increased 137%. Over the last two years alone, costs have increased 20%.
- Expenditures for personnel increased 92% between years 2001 and 2005, while the number of employees increased 45%.
- ACHS increased its spending for contracted medical services by 420% between years 2001 and 2005.
- Expenditures for drugs and prescriptions increased 222% from $527,779 to $1,700,827 between years 2001 and 2005.
- The daily inmate cost for health care has increased from $5.41 in 2001 to $11.35 in 2005, while the number of inmate days served in the Jail increased 13%.

Finding #3:

- ACHS needs to reduce the Jail's medication costs. Other than an email discussing certain drug costs, ACHS was unable to provide a contract with the pharmaceutical company it currently uses during our review and the price of medications change daily.

- Comparison of 20 drugs used by ACHS to the John J. Kane Regional Center's pharmacy prices revealed ACHS's cost for 13 drugs were higher than the price paid by Kane. This resulted in an overcharge of $747 for the same drugs and amounts of pills.
- Comparison of 20 drugs used by ACHS to an online vendor's pharmacy prices revealed ACHS's cost for 13 drugs were higher than the price charged by the online vendor. This overcharge amounted to $766.
- Testing of 18 inmates' prescription orders revealed 10 discrepancies which included numerous refills of prescriptions after the inmate had been released from jail for over 2 months. In addition, there were instances in which the same prescription was filled several times within a couple of days by the pharmacy.
- ACHS does not conduct a comprehensive review of pharmacy invoices to determine their reasonableness.
- Drug prices change daily. ACHS has not negotiated a Medicaid price and could not provide a signed contract during our review.
- When pharmaceutical stock is ordered, the cost is marked up an additional 10%.
- Prescriptions contain numerous orders for non-formulary drugs in which there are suitable and cheaper drugs on the formulary list with identical efficacy.

Finding #4:

- Testing of ACHS invoices revealed that ACHS was reimbursed $254,995 for 2004/2005 expenditures by the Health Department and again by the Department of Human services.
- Of the 104 invoices tested, we noted discrepancies with 24 invoices which included $3,090 in questionable costs for a Christmas party, Pirate tickets, amusement and movie tickets, etc.
- ACHS does not verify the rates on invoices sent by Magee Women's Hospital. In addition, ACHS does not verify that the procedures invoiced by the hospitals and doctors are the procedures actually performed for the inmates.
- Our invoice testing also revealed that there are many services and products being provided without contracts.

Finding #5:

- ACHS accounts payable balance at year end totaled $906,982. Of this amount, $609,360 or 67% is owed to Mercy Hospital.

Finding #6:

- ACHS inmate health care expenditures have grown at a significantly faster rate than the overall consumer spending for health care services. In turn, the cost of medical care has become an increasingly heavy burden on the financial resources of Allegheny County. However, we noted ACHS does not charge inmates a fee for health care services.

Recommendations:

We recommend that ACHS:

Finding #1:

- Continue to expand its managed care strategies by obtaining discounted rates from health care providers through a competitive bidding process or aggressive negotiations and implement contracts with all providers.
- Enforce department policy regarding prior authorization of off-site health care services.
- Closely monitor the use of off-site and ancillary services.
- Strengthen and expand procedures for review of healthcare billings to ensure such billings are for services actually provided at the appropriate contracted rates by designating responsibility and adopting specific procedures for performing billing reviews.
- Deter thefts of drugs by periodically inventorying and reconciling quantities of medications on hand.
- Develop a contract administration and monitoring process that defines responsibilities, thoroughly inventories health service contracts, ensures timely signing of contracts, verifies proper provider reimbursement, and effectively monitors contract compliance.
- Re-examine the health care organizational structure to clarify the reporting structure and clearly define the roles and responsibilities of managerial staff.
- Develop and communicate health care policies and procedures which serve as a reference for the existing health care staff and as a training tool for orienting new health care staff members to the jail.

Finding #2:

- Develop, compile and analyze comprehensive management information which captures data related to health care costs, use of services, and general health characteristics of inmates. Use this analysis to identify

information necessary to manage health care operations and performance measures.

- Identify cost and usage patterns and use the results to adjust the medical services inmates receive and for decisions regarding more cost effective provision of health care services.
- Increase the monitoring and oversight of the jail's medical health system to better control costs while ensuring an adequate system of health care delivery.

Finding #3:

- Immediately put out a Request for Proposal and negotiate lower prices for drugs being prescribed to inmates. Ensure that a contract would provide drugs at the lowest possible price. Additionally, consider the purchasing of drugs in conjunction with the John J. Kane Regional Centers and Allegheny County.
- Negotiate to lower the amount of fill fees the pharmacy charges to fill a prescription through a competitive bidding process and consideration of the use of a stat box.
- Computerize the medication record tracking system to ensure that excess medications are not being ordered and that medications are not ordered for inmates who have been released from the Jail. This computerized system should track the usage of medications and assist in maintaining an accurate inventory.
- Whenever possible, use drugs documented on the formulary list.
- Conduct a comprehensive review of the pharmacy invoice each month to ensure the correct price of the drug was charged and that the amount ordered was received.

Finding #4:

- Credit the Health Department $254,995 for the amount of expenses reimbursed by both the Health Department and the Department of Human Services.
- Seek reimbursement for the miscellaneous expenses noted above where appropriate.
- Adopt procedures that detail what is to be reviewed on medical and pharmaceutical bills, how reviews should be conducted, and procedures for assuring that the providers are given comprehensive and timely inmate listings.
- Clarify responsibilities for contract administration and monitoring.

- Ensure that proper rates are being charged by verifying the rates charged to the contracted rate. Also, obtain Medicaid rates to verify ACHS is being properly charged.
- Properly calculate and deduct the appropriate payroll expenses for employees.

Finding #5:

- Ensure prompt and efficient payments to vendors.
- Evaluate and improve vendor relationships by reimbursing vendors in a timely manner by maintaining an aging schedule of payables.
- Identify and eliminate inefficiencies in the accounts payable process and understand how accounts payable resources are performing to achieve functional objectives.

Finding #6:

- Investigate the possibility of charging inmates a healthcare service fee to control medical costs.
- If a healthcare service fee is approved, inform all inmates on the details of the fee-for-service program upon admission. It should be made clear that the program is not designed to deny access to care.
- Not deny care because of a record of nonpayment or current inability to pay for the sick call.
- Track the incidence of disease and all other health problems prior to and following the implementation of the fee-for-service program.

I. Introduction

Allegheny Correctional Health Services, Inc. (ACHS) is a nonprofit corporation that was established in October 2000 for the sole purpose of providing health services to individuals remanded by the Courts to the Allegheny County Jail (Jail). According to state law the County is responsible to finance the medical cost of inmates.

The Allegheny County Health Department contracts with ACHS to provide health, mental health, drug and alcohol treatment and education services on-site and, when necessary, sends inmate patients to community hospitals and providers. ACHS has a contract with the Allegheny County Health Department totaling $9 million dollars for calendar year 2005. Additionally, ACHS has a contract with the Department of Human Services totaling $573,044 for fiscal year 2004/2005 and $618,044 for fiscal year 2005/2006. ACHS also received funding totaling $165,000 through a grant from the Pennsylvania Commission on Crime and Delinquency to expand drug and alcohol treatment services at the Jail. Health services include a screening for all persons admitted to the Jail, as well as routine medical, prescription drug, dental, vision and mental health care. There were 26,947 offenders committed to the Jail in 2005, either to serve sentences or to await trials. Throughout 2005 ACHS employed approximately 152 employees plus contracted providers to provide these medical services.

When an offender enters the Jail, each male or female is screened to determine health status upon commitment. Screening includes completing a questionnaire regarding physical, mental and emotional health as well as substance abuse issues. The questions also cover long term and acute ailments. The nurse will also note the offender's appearance and behavior. The offender is then asked to sign a consent form for treatment and release of information. The screening may require additional procedures to be performed.

ACHS operates an infirmary in Unit 5B of the Jail. The infirmary houses up to 12 female inmates and up to 30 male inmates. ACHS has two dialysis machines for in-house treatment. ACHS contracts with agency nurses to conduct the dialysis. Methadone treatments are also conducted in the infirmary for pregnant women.

Unit 5B of the Jail also houses the emergency treatment room. This room is used to treat inmates with an emergency medical need. The room is equipped with an EKG and fetal monitor and is used for suturing, casting and other general medical needs.

ACHS operates a clinic within the Jail which is open Monday through Friday 8 am through 4 pm. The clinic is used for sick calls for inmates and those with chronic illnesses such as diabetes, asthma, hypertension, etc. The clinic also has a lab, x-ray room, dental room, and multiple exam rooms.

ACHS expanded health services throughout 2005 to include the following:

- Hepatitis A/B vaccination program for inmates enrolled in its drug and alcohol programs.
- On-site eye care including the purchase of eye exams at $35 and $15 for glasses which is paid by the inmate.
- Services for opiate-addicted pregnant women in the Jail.
- Dental services.
- Pre-release medical assistance sign-up for inmates leaving the Jail who have medical and mental health issues.

ACHS's expenses for 2005 totaled $9,789,879. Of this amount, $5,524,846 or (56%) was for personnel and benefits, $2,009,634 (21%) was for contracted medical services, $1,870,674 or (19%) was for program supplies and services and $384,725 or (4%) was for general and administrative expenses.

Based on the above expenses, it cost approximately $11.35 per day per inmate for health related costs only. This is a 110% increase since 2001 when the medical cost per inmate averaged $5.41. According to the Jail, the 2005 average per capita cost per inmate averages $52.75 per day. Together, these 2005 costs average $64.10 a day for each inmate incarcerated at the Jail.

ACHS has seen an increase of 137% in expenses since 2001, while the number of inmate days served in the Jail increased 13%. In particular, salaries have increased 90%, administrative services have increased 83%, medical

supplies increased 182% and contracted medical services increased 420% since 2001. See schedule I on page 13.

According to statistics provided by the Jail for calendar year 2005, ACHS:

- Screened 25,653 inmates in intake for medical, mental health and substance abuse problems.
- Provided 20,000 clinic visits for medical care.
- Addressed 23,000 sick calls.
- Provided 8,960 infirmary days to inmates.
- Admitted 1,449 inmates to the acute mental health units for treatments.
- Evaluated 7,970 other inmates for mental health assessments.
- Provided 450 inmates with drug and alcohol education or treatment.

II. Scope and Methodology

We reviewed ACHS' expenses for the period ended December 31, 2005. The purpose of our review was to assess the internal controls relating to healthcare costs for Jail inmates during our review period. Specifically, we performed the following:

- Interviewed Jail and ACHS personnel involved in the delivery of medical services to inmates.
- Reviewed the minutes of the Prison Board meetings and ACHS for the years 2004, 2005 and through June 2006.
- Evaluated ACHS's internal controls surrounding expenditure cycles and related procedures involved in recording receipts.
- Reviewed past audit reports to identify problems associated with the medical services provided by ACHS and the status of any recommendations to correct them.
- Examined how health care services are provided to inmates under the custody of the Jail.
- Analyzed and compared medical costs per inmate at the County to other county prisons in Pennsylvania.
- Reviewed overall costs and service utilization patterns associated with providing inmate health care from 2001 through 2005.
- Determined if vendor invoices are being properly recorded and were billed at the appropriate contracted rate.

We conducted this review June throughout August 2006. We provided a draft copy of this report for comment to ACHS's Chief Executive Officer. See response on page 33.

Allegheny Correctional Health Services, Inc.
Schedule of Program Expenses
Unaudited

Source: ACHS

	2001	2002	2003	2004	2005	% Change 2001/2005	% Change 2004/2005
Personnel Costs							
Salaries	2,532,053	2,873,494	3,497,101	4,155,345	4,820,141	90%	16%
Employer Taxes	208,081	201,426	243,301	279,258	363,561	75%	30%
Health, Dental and Vision	113,066	128,765	161,044	265,309	308,701	173%	16%
Disability Insurance	19,454	15,809	20,265	24,076	28,528	47%	18%
Life Insurance	4,203	2,879	2,812	2,140	3,915	-7%	83%
Sub-Total Personnel Costs	2,878,837	3,222,363	3,924,523	4,726,126	5,524,848	92%	17%
		12%	22%	20%	17%		
Administrative Services							
Insurance	65,574	130,325	225,160	306,265	207,670	217%	-32%
Consulting	59,957	453	1,073	360	0	-100%	-100%
Travel & Entertainment	12,860	690	2,859	528	8,938	-30%	1589%
Office Supplies	11,757	18,177	18,955	13,902	21,496	83%	55%
Employee Meals	11,691	13,045	11,031	10,979	11,876	2%	8%
Equipment Rental	10,556	12,740	15,391	15,375	15,218	44%	-1%
Furniture	8,683	2,585	305	4,431	1,435	-83%	-68%
Lawsuit Fees & Settlements	8,503	30,960	40,898	77,869	50,497	494%	-35%
Advertising	4,233	6,809	5,775	6,147	10,222	141%	66%
Education & Training	3,320	5,251	2,959	9,360	9,872	197%	5%
Printing & Reproduction	3,861	41	26	425	47	-99%	-89%
Payroll Processing Fees	2,364	7,425	6,775	11,806	10,493	344%	-11%
Other	2,058	1,054	3,099	2,340	1,768	-14%	-24%
Equipment and Maintenance	1,551	5,826	2,541	6,214	14,039	805%	126%
Telephone	930	16,714	10,433	11,273	13,130	1312%	16%
Bank Service Charges	594	7	0	55	0	-100%	-100%
Reference Materials	463	993	688	1,078	1,155	149%	7%
Licenses and Permits	425	555	355	555	3,768	787%	579%
Postage	359	1,122	2,751	2,055	2,752	667%	34%
Meeting Expenses	49	168	1,208	-147	449	816%	-405%
Sub-Total Administrative Costs	209,768	254,946	350,082	480,868	384,725	83%	-20%
		22%	37%	37%	-20%		
Medical Supplies							
Pharmaceuticals	527,779	792,696	1,196,020	1,559,298	1,700,827	222%	9%
Medical & Lab Supplies	117,523	138,439	166,295	176,891	162,411	38%	-8%
Medical Waste	3,428	4,314	4,809	6,884	7,036	105%	2%
Other	14,777	4,298	0	587	400	-97%	-32%
Sub-Total Medical Supplies	663,507	939,747	1,367,124	1,743,660	1,870,674	182%	7%
		42%	45%	28%	7%		
Contracted Medical Services							
Inpatient Hospital Care	169,796	443,553	591,979	468,896	705,520	316%	50%
Physician/Dental-Off Site	94,745	152,240	210,385	238,490	300,761	217%	26%
Outpatient Care	91,511	45,082	57,717	296,680	652,110	613%	120%
Physician/Dental-On Site	16,060	88,314	145,344	95,636	104,231	549%	9%
Training	8,398	3,342	2,045	0	120	-99%	
Medical Transportation	5,765	9,127	25,107	32,914	146,830	2447%	346%
Dialysis	0	160,139	43,470	59,214	98,864		67%
Other	0	0	200	77	1,198		1456%
Sub-Total Contracted Medical Services	386,275	901,777	1,076,247	1,191,907	2,009,634	420%	69%
		133%	19%	11%	69%		
TOTAL EXPENDITURES	4,138,387	5,318,833	6,717,976	8,142,561	9,789,879	137%	20%
		29%	26%	21%	20%		
Medical Cost Per Inmate Day	$5.41	$6.51	$8.10	$9.58	$11.35	110%	18%
		20%	24%	18%	18%		

Finding #1

ACHS Should Implement Internal Controls

A manual that specifies the health care policies and procedures at the Jail is essential. A policy is ACHS's official position on a particular issue related to an organization's purpose. A procedure describes in detail how the policy is carried out. The manual should be reviewed and approved by management. Annual review of policies, procedures and programs is good management practice.

During our review, we were informed by ACHS management that it does have written policies and procedures. However, these policies do not address all accounting procedures and who is responsible for ensuring that these policies and procedures are being followed.

Throughout our review, we also noted a lack of segregation of duties. For instance, the same individual is responsible for preparing checks, making deposits, voiding checks, deleting transactions from the accounting system, mailing the checks and creating the county invoice.

We also noted that the invoice that is prepared for reimbursement from the county is initialed by a member of the Board, however, there is no support attached (other than payroll) for the Chairman to review for authorization.

In addition to the lack of accounting policies and procedures, we observed that ACHS:

- Does not have contracts with all providers.
- Does not have a formal competitive bidding process to ensure that the lowest possible price is obtained.
- Does not ensure that contractors are being reimbursed at rates specified in the contracts.
- Does not verify the procedures billed on the vendor invoices were actually performed and authorized.
- Does not have long range planning goals relating to controlling and reducing medical costs of inmates.
- Does not have a mechanism with which to negotiate better discounts with private health care providers.

- Does not have a written long range plan which is tied to the budget and explains how the expenditures relate to the priorities for the year.
- Does not consistently employ certain common cost containment measures such as the implementation of a formulary drug or mandatory generic drug policy.
- Does not monitor or actively manage the number of outside referrals and the use of diagnostic tests.
- Does not reconcile the inventory of drugs received back to the invoice. Because ACHS does not have a pharmacy contract they cannot ensure the accurate prices were billed.
- Does not pay its invoices in a timely manner and has a large accounts payable balance at year end.
- Does not perform an accurate inventory of drugs. Because ACHS manually records the medication administered to inmates, it cannot reconcile the medication administered to the inventory removed from the pharmacy. This could result in the theft of medication going undetected.

Recommendations

We recommend that ACHS:

- Continue to expand its managed care strategies by obtaining discounted rates from health care providers through a competitive bidding process or aggressive negotiations and implement contracts with all providers.
- Enforce department policy regarding prior authorization of off-site health care services.
- Closely monitor the use of off-site and ancillary services.
- Strengthen and expand procedures for review of healthcare billings to ensure such billings are for services actually provided at the appropriate contracted rates by designating responsibility and adopting specific procedures for performing billing reviews.
- Deter thefts of drugs by periodically inventorying and reconciling quantities of medications on hand.
- Develop a contract administration and monitoring process that defines responsibilities, thoroughly

inventories health service contracts, ensures timely signing of contracts, verifies proper provider reimbursement, and effectively monitors contract compliance.

- Re-examine the health care organizational structure to clarify the reporting structure and clearly define the roles and responsibilities of managerial staff.
- Develop and communicate health care policies and procedures which serve as a reference for the existing health care staff and as a training tool for orienting new health care staff members to the jail.

Finding #2

Inmate Medical Costs are Not Being Properly Controlled

In examining department expenditures for the various types of medical services which were provided to inmates, we noted the following:

- Between years 2001 and 2005, ACHS' costs have increased 137%. Over the last two years alone, costs have increased 20%.

Specifically,

- Expenditures for personnel increased 92% between years 2001 and 2005. ACHS's expenditures for salaries increased over 90% from 2001 to 2005, while the number of employees increased 45%.
- ACHS also increased its spending for contracted medical services by 420% from years 2001 to 2005. These are services provided by contracted health care providers for inpatient hospital care, physician care on- and off-site, dialysis, and outpatient care. Services also increased for drug and alcohol and mental health care. For year 2005 expenditures were over $2 million.
- Between years 2001 and 2005, medical supplies increased 182%. Expenditures for drugs and prescriptions increased 222% from $527,779 to $1,700,827.
- Administrative services increased 83% between years 2001 and 2005. Administrative services include insurance, lawsuit fees and settlements, equipment and maintenance, meeting expenses, etc.

Based on the amounts provided by ACHS, the daily inmate cost for health care has increased from $5.41 in 2001 to $11.35 in 2005, while the number of inmate days served in the Jail increased 13%.

Our review revealed that ACHS expenditures for inmate health services have grown at a significantly faster rate than overall consumer spending for health care services. While the healthcare cost per inmate day increased 110% between fiscal years 2001 and 2005, the rate of inflation for health

care was 18% for the same period of time. The increases in healthcare costs per inmate day have consistently been greater than the Consumer Price Index (CPI) for Medical Services and Hospital Expenses over the past 5 years as shown below:

% Increase in Medical Services/Hospital Expenses

Year	Pittsburgh	Allegheny County	Western PA Area	ACHS
2002	7.9%	6.5%	9.6%	**20%**
2003	7.8%	7.4%	5.7%	**24%**
2004	4.5%	5.1%	6.1%	**18%**
2005	8.8%	8.3%	6.9%	**18%**

We also examined department expenditures for overall cost trends and compared Allegheny County's correctional health care costs to other county jails or prisons in Pennsylvania. Based on our survey of medical health care costs provided to inmates at various county jails or prisons within Pennsylvania, Allegheny County's cost of inmate health care appears to be among the highest of the other five jails that responded (See Schedule II, Summary of Health Care Costs on page 31).

According to ACHS management, the increases are due to the increase in population as well as the increase in sicker inmates using psychotropic drugs.

In addition, our review revealed ACHS does not have contracts or letter agreements with all vendors. Some of these vendors and their 2005 expense amount are as follows:

- City of Pittsburgh EMS 145,080
- Quest Diagnostics 75,842
- Independent Physician 51,886
- Specialty Supply Partners 44,736
- Emergency Medicine Associates 42,270
- University of Pgh Physicians 40,352
- Diamond Medical Supply Co. 30,947
- Independent Physician 29,004
- Diagnostic Imaging Associates 28,241
- Pgh Anesthesia Associates 26,766
- Infusion Partners 25,980

o	Central Cardiovascular Associates	24,574
o	Pgh Critical Care Associates	21,931
o	Gulf South Medical Supply	21,820
o	Independent Attorney	18,000
o	Independent Physician	14,554
o	Allegheny General Hospital	12,002
o	Independent Physician	11,608
o	UPMC Presbyterian Hospital	11,371
o	IKON	11,185

Based on our review of health care expenditures, other jails information, as well as our audit work regarding ACHS's monitoring of health care services, it appears that ACHS's cost of providing inmate health care services are not sufficiently controlled.

Recommendations

We recommend that ACHS:

- Implement comprehensive managed care contracts and negotiate better discounts with health care providers as a means of reducing costs.

- Develop, compile and analyze comprehensive management information which captures data related to health care costs, use of services, and general health characteristics of inmates. Use this analysis to identify information necessary to manage health care operations and performance measures.

- Identify cost and usage patterns and use the results to adjust the medical services inmates receive and for decisions regarding more cost effective provision of health care services.

- Increase the monitoring and oversight of the jail's medical health system to better control costs while ensuring an adequate system of health care delivery.

Finding #3

ACHS Needs to Reduce the Jail's Medication Costs

ACHS is paying too much for medications used for the inmates. Drug costs per inmate have increased 187% between 2001 and 2005. The cost for pharmaceuticals in 2001 was $527,779 and has increased to $1,700,827 in 2005.

Other than an email discussing certain drug costs, ACHS was unable to provide a contract with the pharmaceutical company it currently uses during our review and the price of medications change daily. Additionally, ACHS pays a management fee of $3.40 for each prescription that is filled or a 10% mark-up on the pharmacy's cost of the drug for stock refills.

We compared the prices of 20 drugs used by ACHS to the John J. Kane Regional Center's (Kane) pharmacy prices as well as to an online internet vendor. The fill fee of $3.40 was included in the Kane and internet vendors' prices. Of these 20 drugs tested, we noted:

- ACHS's costs for 9 of the 20 drugs or 45% were higher than the price paid by the Kane Pharmacy. This overcharge amounted to $710 for the same drugs and pill amounts.
- ACHS's costs for 11 of the 20 drugs tested or 55% were lower than the price paid by the Kane Pharmacy for a total savings of $195 for the same drugs and pill amounts.

We then compared the prices of the same 20 drugs used by ACHS to online internet vendors. Of these 20 drugs tested, we noted:

- ACHS's costs for 12 of the 20 drugs or 60% were higher than the price charged by the online internet vendors. This overcharge amounted to $722.
- ACHS's costs for 8 of the 20 drugs tested or 40% were lower than the price charged by the online internet vendors for a total savings of $282.

In addition, we noted instances not included in the above samples in which ACHS purchased the drug Risperdal 2mg tablet which costs $680.09 for 120 tablets. However, upon further review we noted that that the same drug cost $183.98 from an online internet vendor for a difference of $496.11.

Another example included the purchase of the drug Azithromycin 600 mg tablet by ACHS which cost $577.58 for 30 tablets versus Kane pharmacy's price of $200.63 for a difference of $376.95 and the online internet vendor's price of $462.88 for a difference of $114.70.

Our testing of 18 inmates' prescription orders revealed discrepancies with 10 or 56% of the orders. These discrepancies included:

- For two of the inmates, we noted that prescriptions were filled after the inmate was released from Jail. One inmate was released on April 13th and his prescription was filled on April 29th for a psychotropic drug known as Seroquel at a cost of $30.95. The other inmate was released on February 26th and had various prescriptions filled on March 1, March 25, April 1, April 26 and April 29. We were only able to verify that 4 of these fills had been returned. The additional cost amounted to $358.03.

- For six of the inmates, we noted that the same prescription was filled numerous times within a 30 day period. Specifically:
  - A prescription was filled on April 5 and again on April 27th for the same inmate at an additional cost of $157.24. In addition, a different prescription was filled on April 5 and again on April 27 for an additional cost of $178.15.
  - An inmate had a prescription filled on April 12, and incorrectly again on April 25 for an extra cost of $111.66. This prescription was then properly filled on May 13 and June 27, and then incorrectly filled again on June 30 for an extra cost of $111.66.

  - Another inmate had a prescription filled on April 25 and incorrectly again on May 16 for a cost of $1,340.07.
  - A prescription was filled on April 28 and incorrectly filled again on April 29 for a cost of $310.62.
  - A prescription was filled on April 26 and incorrectly filled again on April 29 for an extra cost of $387.32.
  - Another inmate had a prescription filled on March 1 and incorrectly filled again on March 7 for an extra cost of $193.59.

- For two of the inmates, we noted that the amount of pills filled by the pharmacy was significantly greater than the number documented on the prescription. For one inmate the prescription ordered 84 pills, however, 180 pills were filled for an extra cost of $105.72. For another inmate there were three prescriptions to be filled each for 42 pills. However, each prescription was filled for 90 pills at an additional cost of $248.01.

ACHS management stated that a bid for pharmaceuticals was sent to only two companies. Therefore, the lowest possible price was not effectively negotiated.

We also noted that ACHS management does not conduct a comprehensive review of the pharmacy invoices to determine their reasonableness. Additionally, medication records are tracked manually and there is no way to compare what was ordered versus what was used. This could lead to undetected theft of medications.

Also, under Medicaid rules, pharmacies may charge fill fees only once per month for ongoing prescriptions. However, ACHS is paying a fill fee every time a prescription if filled. This fill fee also needs to be renegotiated.

Our review of monthly pharmaceutical invoices revealed that:

- Drug prices change daily. ACHS has not negotiated a Medicaid price and could not provide a signed contract during our review.

- Each prescription is charged a $3.40 fill fee. If pharmaceutical stock is ordered, the cost is marked up an additional 10%.
- Prescriptions contain numerous orders for non-formulary drugs in which there are suitable and cheaper drugs on the formulary list with identical efficacy. Our review revealed that 31% of all pharmaceutical costs are for drugs that have formulary or generic alternatives.

One strategy for reducing the fill fees is to use a stat box. This is the functional equivalent to the sample medication closet in most doctors' offices. The stat box contains bubble-packed cards of the medications that are prescribed most frequently. If a patient needs a particular pill, it is taken from the stat box, documenting the time, date, patient, etc. on a tracking sheet. A well stocked stat box has been proven to save hundreds of dollars in fill fees alone.

Recommendations

We recommend that ACHS:

- Immediately put out a Request for Proposal and negotiate lower prices for drugs being prescribed to inmates. Ensure that a contract would provide drugs at the lowest possible price. Additionally, consider the purchasing of drugs in conjunction with the John J. Kane Regional Centers and Allegheny County.
- Negotiate to lower the amount of fill fees the pharmacy charges to fill a prescription through a competitive bidding process and consideration of the use of a stat box.
- Computerize the medication record tracking system to ensure that excess medications are not being ordered and that medications are not ordered for inmates who have been released from the Jail. This computerized system should track the usage of medications and assist in maintaining an accurate inventory.
- Whenever possible, use drugs documented on the formulary list.
- Conduct a comprehensive review of the pharmacy invoice each month to ensure the correct price of

the drug was charged and that the amount ordered was received.

Finding #4

Duplicated ACHS Invoices, Questionable Costs and Unsupported Cash Disbursements

Effective internal controls ensure that payments to vendors are issued upon proper authorization of management, for valid business purposes and that all disbursements are properly recorded. In addition, all disbursements should be accompanied by adequate documentation.

Our testing of invoices submitted to Allegheny County Health Department and the Department of Human Services revealed that ACHS was reimbursed $254,995 for 2004/2005 expenditures by the Health Department and then again by the Department of Human Services. According to ACHS management they originally invoiced the Health Department because they were not aware that the Department of Human Services would have additional monies for the reimbursement. After receiving the monies from both agencies, ACHS forgot to credit the Health Department for this amount.

During our review, we tested 104 invoices to determine if the invoices were proper and had supporting documentation. Of theses 104 invoices, we noted discrepancies with 24 invoices or 23% as noted below:

- $3,090 in questionable costs which included $2,027 for a Christmas party, $700 for Pirate tickets used by employees and their guests, $155 for amusement and movie tickets used as incentives for unidentified individuals who participate in the D&A outpatient programs. The remaining $208 included a carpet which could not be located, Napster music, and pastries.
- $3,527 in unsupported or inadequately supported cost which included payments of $3,000 to an attorney who receives a retainer of $1,500 a month. There is no contract with this attorney; only an email agreement for payments of $1,500 per month and the attorney did not submit monthly invoices. There also was a $500 payment stub to an X-ray technician in which there was no invoice for services. We only noted a payment stub generated

by ACHS. For the remaining $27 there was no description on the receipt for the item purchased.

- Two invoices totaling $560 in which the COO received reimbursement twice. These invoices included a RadioShack receipt for USB cables totaling $107 and a plane ticket to the NCCHC conference totaling $453. Additionally, there is no written documentation of review by the Board of Directors of the Chief Operating Officer's expenses.
- Purchases totaling $363, which consisted of alcohol totaling $27, meals in excess of the county's $35 a day policy totaling $45, and meals without detailed receipts as required by county policy totaling $291.
- $870 overcharges for a physician's invoice. Per ACHS physician's are to be paid at a rate of Medicare plus 10% which totaled $390.09 instead of the invoice total of $1,260.

Throughout our review we also noted that invoices from Magee Women's Hospital are to be priced based on Medicaid rates per the contract. However, Magee Women's Hospital sends the invoice and ACHS does not verify that the rates are correct. In addition, ACHS was unable to provide us with a list of Medicaid rates for the procedures being charged. We also noted that ACHS does not verify that the procedures invoiced by the hospitals and doctors are the procedures actually performed for the inmates.

We reviewed 54 invoices from CynaMed, an agency nursing company that provides registered nurses to ACHS based on a contracted rate of $37 per hour and states that overtime is to be paid at time and a half. Of these 54 invoices we noted:

- ACHS was unable to provide support including invoice or time sheets for two transactions totaling $1867.13 and $1,452.50.
- $3,025 for invoices paid at rates higher than the contracted rate. We noted the invoices charged $39 per hour for registered nurses instead of the contracted rate of $37. In addition, overtime was calculated based on the higher rate instead of time and a half based on the contracted $37 rate.
- *$70 for two invoices which billed 11/2 hours in* excess of time entered on the time sheets.

Our testing also revealed that ACHS did not properly calculate health benefit payroll deductions for two employees. We noted for one employee that there were no biweekly payroll deductions for 36 periods from March 2005 through July 2006 totaling approximately $900 from the employee's pay. In addition, we noted that there were no health benefit deductions for another employee from November 6, 2005 through December 17, 2005 totaling approximately $75.

Our invoice testing also reviewed that there are many services and products being provided without contracts. In addition, ACHS was unable to provide documentation that the lowest price was obtained for items or services purchased based on comparison shopping among stores and vendors.

Recommendations

We recommend that ACHS:

- Credit the Health Department $254,995 for the amount of expenses reimbursed by both the Health Department and the Department of Human Services.
- Seek reimbursement for the miscellaneous expenses noted above where appropriate.
- Adopt procedures that detail what is to be reviewed on medical and pharmaceutical bills, how reviews should be conducted, and procedures for assuring that the providers are given comprehensive and timely inmate listings.
- Clarify responsibilities for contract administration and monitoring.
- Ensure that proper rates are being charged by verifying the rates charged to the contracted rate. Also, obtain Medicaid rates to verify ACHS is being properly charged.
- Properly calculate and deduct the appropriate payroll expenses for employees.

Finding #5

ACHS Accounts Payable Balance at Year End Totaled $906,982

Accounts payable maintains that crucial balance between strong vendor relationships and tight cash outflow management. This function must ensure that accounts are current and credit obligations are met, by paying on time but no earlier than necessary.

Our review disclosed that ACHS had an accounts payable balance of $906,982 as of December 31, 2005. Of this amount, $609,360 or 67% is owed to Mercy Hospital. Other providers with large accounts payable balances included $126,114 for Diamond Pharmacy, $48,450 for Pittsburgh EMS and $37,614 for Magee Women's Hospital. The remaining balance $85,444 is comprised of numerous providers.

Our review of ACHS's account payable detail records revealed that of the $906,982 total accounts payable, $220,271 (24%), was outstanding between 1 and 30 days, $133,569 (15%) was outstanding between 31 and 60 days, $114,371 (13%) was outstanding between 61 and 90 days, and $438,771 (48%) was more than 90 days outstanding.

Recommendations

We recommend that ACHS:

- Ensure prompt and efficient payment of vendors.
- Evaluate and improve vendor relationships by reimbursing vendors in a timely manner and maintaining an aging schedule of payables.
- Identify and eliminate inefficiencies in the accounts payable process and understand how accounts payable resources are performing to achieve functional objectives.

Finding #6

ACHS Does Not Charge Inmates a Fee for Health Care Services

Charging inmates for health services has become a prominent issue in the delivery of correctional health care services due to the increase in health care costs. Many jails and prisons either have such a program or are looking at the possibility of creating a fee for health services program, also sometimes referred to as an inmate co-payment system in their facilities.

The cost of medical care has become an increasingly heavy burden on the financial resources of Allegheny County. The costs need to be legally controlled without affecting needed care. Sick calls can be abused by some inmates and place an unnecessary strain on available resources, making it more difficult to provide adequate care for other inmates. Institution of a healthcare fee might instill a sense of fiscal responsibility and deter any abuses.

Throughout 2005 ACHS addressed 23,000 sick calls. If a health service fee between $2 and $10 was charged per sick call, revenue between $46,000 and $230,000 could have been generated. Allegheny County has an inmate accounting system already in place for the commissary which could be used to record the collection of health service fees which was done years ago.

By charging inmates a health service fee, ACHS must ensure that access to necessary healthcare services is not impeded. If an inmate is indigent, healthcare still must be provided.

Our review of the December 31, 2005 inmate bank statement disclosed $316,582 available in inmate funds which could be used to offset medical fees. There was $227,878 in inmate deposits during the month of December.

Recommendations

We recommend that ACHS:

- Investigate the possibility of charging inmates a healthcare service fee to control medical costs.
- If a healthcare service fee is approved, inform all inmates on the details of the fee-for-service program upon admission. It should be made clear that the program is not designed to deny access to care.
- Not deny care because of a record of nonpayment or current inability to pay for the sick call.
- Track the incidence of disease and all other health problems prior to and following the implementation of the fee-for-service program.

Schedule II

Summary of Inmate Health Costs

	2001	2002	2003	2004	2005	5 Year % Change
Allegheny County Jail						
Medical Costs	$4,136,388	$5,318,833	$6,717,976	$8,142,561	$9,789,879	
# of Inmate Days Served	764,179	816,570	829,355	849,830	862,304	
Annual Average # of Inmates	2,094	2,237	2,272	2,326	2,362	
Annual Cost Per Inmate	$4,676.01	$4,375.99	$4,308.54	$4,204.73	$4,143.90	
Daily Cost Per Inmate	$5.41	$6.51	$8.10	$9.58	$11.35	110%
Berks County Prison						
Medical Costs	$2,501,427	$2,897,629	$3,087,666	$3,355,430	$3,934,191	
# of Inmate Days Served	430,700	438,000	457,345	444,205	462,820	
Annual Average # of Inmates	1,180	1,200	1,253	1,217	1,268	
Annual Cost Per Inmate	$2,119.85	$2,414.69	$2,464.22	$2,757.13	$3,102.67	
Daily Cost Per Inmate	$5.81	$6.62	$6.75	$7.55	$8.50	46%
Erie County Prison						
Medical Costs	$1,028,292	$1,059,791	$1,253,565	$1,423,880	$1,812,223	
# of Inmate Days Served	192,962	223,776	237,050	258,610	264,495	
Annual Average # of Inmates	529	613	649	709	725	
Annual Cost Per Inmate	$1,945.08	$1,728.62	$1,930.19	$2,009.65	$2,500.85	
Daily Cost Per Inmate	$5.33	$4.74	$5.29	$5.51	$6.85	29%
Chester County Prison						
Medical Costs	$2,301,093	$2,306,810	$2,474,899	$2,520,318	$2,663,882	
# of Inmate Days Served	275,940	290,905	304,045	309,885	331,785	
Annual Average # of Inmates	756	797	833	849	909	
Annual Cost Per Inmate	$3,043.77	$2,894.37	$2,971.07	$2,968.57	$2,930.56	
Daily Cost Per Inmate	$8.34	$7.93	$8.14	$8.13	$8.03	-4%

Schedule II

Summary of Inmate Health Costs

	2001	2002	2003	2004	2005	5 Year % Change
Butler County Prison						
Medical Costs	$530,411	$608,842	$570,450	$632,479	$461,262	
# of Inmate Days Served	56,883	55,145	63,247	60,708	68,197	
Annual Average # of Inmates	156	151	173	166	187	
Annual Cost Per Inmate	$3,403.48	$4,029.87	$3,292.08	$3,802.71	$2,468.85	
Daily Cost Per Inmate	$9.32	$11.04	$9.02	$10.42	$6.76	-27%
Centre County Prison						
Medical Costs		Information not Provided			$438,631	
# of Inmate Days Served		Information not Provided			39,785	
Annual Average # of Inmates		Information not Provided			109	
Annual Cost Per Inmate		Information not Provided			$4,024.14	
Daily Cost Per Inmate		Information not Provided			$11.03	

Allegheny Correctional Health Services, Inc.
3333 Forbes Avenue, Pittsburgh, PA 15213
Telephone: 412.578-6318 FAX: 412.578.8325

December 28, 2006

Ms. Lori A. Churilla
Audit Manager
County of Allegheny
Office of the Controller
104 Court House
436 Grant Street
Pittsburgh, PA 15219

Dear Ms. Churilla,

Enclosed for your review is the revised ACHS response to your Draft Audit report entitled Review of the Allegheny Correctional Health Services, Inc. Expenses for the Year Ended December 31, 2005 with the changes you requested.

Please feel free to contact me with any questions.

Sincerely,

Dana M. Phillips
Chief Operating Officer

Bruce W. Dixon, M.D.
Chief Executive Officer

CC: Henry Miller, Esq.

ACHS Response to Auditors' Draft Report

Allegheny Correctional Health Services, Inc. (ACHS) was created in October 2000 **charged with making significant changes in the healthcare provided to inmates of the Allegheny County Jail.** At that time, there was essentially no continuity of care for inmates coming into or leaving the Jail; inmates were systematically being denied access to adequate psychiatric treatment (particularly psychotropic medications) through a system of artificial barriers; there was inadequate intake screening which often led to subsequent medical emergencies that could have been avoided; and there was no treatment for one of the health problems most often associated with incarceration—substance abuse. The mission set for the new organization was ***Quality Healthcare for Persons Remanded by the Courts to the Allegheny County Bureau of Corrections***, a mission that supports the constitutional right of inmates to adequate and appropriate healthcare. ACHS was also charged with meeting standards for accreditation by the National Commission on Correctional Health Care.

The charge as well as the mission of ACHS demanded significant changes in the services provided and those changes required additional resources. Thus any discussion of increases in ACHS costs must take those factors, as well as significant changes in inmate demographics, into account. The Draft Report presented does not do that.

Some of the specific changes undertaken by ACHS in inmate healthcare provision include:

1. **Continuous medical records:** Prior to ACHS taking over, each time an inmate entered the Jail, an entirely new medical record was created. This had the effect of impeding continuity of care and directly resulted in significant negative medical outcomes. No medical history was available other than the information given by the inmate in an interview which may have been done in the presence of a correctional officer rather than in a private space. ACHS entered into a two and a half year process of uncovering matching, and combining medical charts that had been hidden in laundry baskets, taken off site, stored in boxes in no particular order, and often labeled with an alias under which an inmate had been admitted to Jail. The detailed nature of this work meant matching through social security numbers, birth dates, photographs of inmates upon entrance, and search of the Jail's old computer system for possible aliases in order to accomplish this task.

2. **Creation of drug and alcohol programs:** One of the most common health problems of persons coming to the Allegheny County Jail is a history of substance abuse. In 2002, the County was given a grant from SAMHSA to create a drug and alcohol treatment unit in the Jail. Planning began, necessary physical plant changes were made, policies for licensing were developed, and the unit began its preliminary work in the last quarter of that year coming fully on line in 2003. In 2004, the program was expanded to include a group intervention treatment program in another, larger housing unit with a grant from the Pennsylvania Commission on Crime and Delinquency and at the end of 2004, a program was started to serve women. Ten full-time equivalent staff work in these programs. Ongoing costs of these programs contribute to the change in health costs.

3. **Expansion of mental health services:** As previously noted, the Jail medical services had at one time systematically excluded persons in general population from receiving psychotropic medications. In order to receive such medications, inmates needed to be housed on a mental health unit with its more restrictive rules. Inmates who were generally stable on medications in the community often chose not to indicate that they were taking

psychotropic medications, not wishing to live in the more restrictive housing units. Unfortunately, this resulted in these inmates de-stabilizing in general population with negative consequences for the health and well-being of the inmate. The medical records situation described in bullet #1 contributed to the problem as staff had no health/mental health records from the person's previous incarceration. At that time, the ratio of psychiatrists to mentally-ill inmates fell well below national standards. ACHS expanded the hours of the part time psychiatrists in 2003 and added another full-time psychiatrist to better meet the demands of this population. In 2005, an additional .25 FTE of psychiatric service was added. Finally, a discharge planner to work with persons with mental health problems who are in general population was added, in 2004. That position works with inmates who are in general population to assist them with continuity of care when they are released from Jail. The mental health discharge planner and the mental health social workers also work to see that inmates with mental illness who are leaving the Jail have a supply of medications when they leave and, when appropriate, are referred to the Medical Assistance sign-up program. (See next bullet point.)

4. **Creation of transfer, discharge planning, and Medical Assistance sign-up functions:** Inmates transferring between facilities should have both a medical transfer information sheet including information about medical conditions, TB and other communicable testing, and a supply of any medications they need in transit until the receiving facility can provide medications. One nursing position and a Clinical Services Coordinator (part-time) have been added to address the Jail's obligation in this regard, an obligation that has increased as the numbers of transfers between the ACJ and PA Department of Corrections facilities, the number of Federal prisoners, and the number of inter-county transfers has increased. Whenever there is notification of an upcoming transfer, this nurse prepares the required transfer information and medications. Calls for medical information are also received (and responded to) daily from other institutions about inmates who were moved without notification to medical staff or whose transporting officers did not deliver the transfer information.

   Formal discharge planning is done for inmates leaving from mental health units and from drug and alcohol treatment programs and for inmates being transferred to Alternative Housing programs. In addition to the three mental health social workers who are coordinating care continuity between mental health units and community providers and Forensic Services, one full time social worker/discharge planner and one discharge planning clerk were added to coordinate the discharge planning function with the physicians and psychiatrists. These two staff also coordinate the Medical Assistance sign-up function.

   Persons leaving the Jail who have significant health problems, including mental health, substance abuse, and medical problems, often face difficulty getting necessary treatment and medications after discharge. In the past, many persons with mental health problems received "County Scripts" authorized by the County's Service Coordination Units when they were discharged. The cost of the medications was charged to the County's Department of Human Services. By signing eligible individuals up for Medical Assistance prior to their leaving the Jail and having the Medical Assistance turned on when they leave, ACHS enables the County to reduce the amount they are spending on County scripts. It also helps ensure continuity of care and assists former inmates in getting the medications and other treatment they may need when they leave Jail. It also helps Allegheny County meet the requirements of ACT 233 requiring medications to be given to inmates leaving the Jail and, finally, is an important aspect of re-integration.

5. **Adequate care for opiate-addicted pregnant women:** After an 18-month period of working with state drug and alcohol licensing staff, the DEA, and local methadone providers, a program was worked out that allows the Sheriff's and the Correctional Officers to reduce the number of trips to transport opiate-addicted pregnant women for their methadone treatment and counseling. This project has saved up to 5 transportation runs per woman per week for the County.

6. **Improved intake screening and expanded services for inmates on the intake housing units:** Adequate intake screening on persons being housed in the ACJ is the first step in adequate care. While it took almost four years and numerous meetings to achieve, medical intake interviews are now done after processing. Previously, inmates were screened after seeing the magistrate but prior to going into the processing area where they could make their first telephone calls since being brought to the Jail. That had resulted in people who thought they might be making bail giving inadequate or inaccurate information just to get through. Historically, this resulted in inmates with unidentified medical problems being moved into the Jail. Combined with the lack of prior medical information, this had resulted in medical crises that were unnecessary. Moving the screening process so that it follows processing by the Jail, focuses medical staff attention on those persons who are becoming inmates and has resulted in greater disclosure of medical needs by inmates thus allowing their needs to be addressed in a more timely fashion. Some medications are now started in intake.

   Two other changes in medical intake screening involved having the medical screeners be RNs rather than LPNs and expanding socio-economic and educational information gathered in order to better inform re-integration efforts and in-Jail program planning through the Allegheny county Jail Collaborative.

   Finally, 84 hours of RN staffing was added to the intake housing units. This was done to better manage inmates who may be detoxing from drugs or alcohol; reduce suicides; and expand the medical services available to this population while they wait to be classified to another housing level. Through an agreement with the ACJ administration, inmates who may be detoxing do not leave the intake housing units until medical staff have cleared them. This service expansion has significantly reduced suicides and serious suicide attempts as well as reduced significant medical emergencies for new inmates.

7. **Enhanced staff expertise and improved clinical guidelines for persons with chronic health conditions and other special needs:** One goal set by ACHS was a reduction in diabetic emergencies. In order to achieve this, a physician with expertise in diabetes was hired and new diabetic management protocols, in keeping with national standards, were created. Working together with custody, the way glucose monitoring is done has been changed. Collectively, these steps resulted in a reduction in diabetic medical emergencies of almost 40%. Other physician expertise has been added in the areas of HIV and Hepatitis. As mentioned earlier, psychiatric staff has been expanded and multi-disciplinary case conferences are held for people with special needs. ACHS also added AEDs and improved emergency response capacity.

These items represent only a few of the steps ACHS has taken to meet its charge from the County and its mission. Each of these items contributes to the cost increase and each

enables the County to meet the community standard of care established by the Federal Courts.

The comments below respond to the Categories outlined in the Draft report presented not to the CEO of Allegheny Correctional Health Services as stated in the report but rather addressed to the COO. Comments are generally organized in the same sections as the "findings" presented in the Draft Report although finding cited in the brief summary do not always seem to parallel those headings in the expanded findings section..

Finding # 1: ACHS should implement internal controls.

Response: ACHS agrees that its written accounting policies and procedures should be expanded and is increasing the staff working in personnel and finance to two full-time people. We disagree with the statement made about segregation of duties. Because of the small administrative staff (two individuals working less that 2 FTE), ACHS consulted with a certified public accountant in regard to the best way to segregate duties. Although the physically shared office and the small staff size make the segregation less than ideal, the combination of the segregation of duties currently in place, software controls and invoice approval prior to payment, along with a fidelity bond was seen as an adequate procedure given staff limitations. ACHS has reminded staff that mailing of checks must be done only by the person authorized and is having an accountant re-review the duties to further strengthen this area.

Although the auditors note that the invoice prepared for reimbursement from the County is initialed by the Chair without all back-up present, they fail to note that the person initializing that invoice co-signs all checks greater than two thousand dollars and checks are presented with all back-up for review. That person also has full access to all back-up information.

Several comments in the report deal with contractor relationships and agreements. While it is true that many physician providers serve ACHS without specific contracts, the original hospital contracts had provisions for staff at those hospitals to provide services at a rate based on Medicare plus 10%. Those rates have been maintained through the contracts and physicians who have left their original hospital have continued to see patients at that rate. Nonetheless, ACHS is willing to expand its formal contracts and had already begun that process prior to the audit.

A citation was made as to an agreement between ACHS and an attorney and the retainer for legal counsel paid monthly. This payment arrangement predates current administration and the former CEO believes that an agreement was signed. Ms. Churilla did not cite ACHS on this in her previous audit. To assure that there are no further questions about this matter, a new agreement letter has been signed

All off-site visits are authorized in writing by the Chief Medical Officer and a copy of that authorization goes with the inmate to the appointment. In order to address the concerns that hospitals may bill and be paid for services that were either not authorized or not performed, the CMO or designee will review the bills in the context of his authorization and the medical records received after the services were performed.

The auditors did note that there were some errors in the amounts paid to contractors, particularly one vendor who overcharged for agency nursing. A combined fee list is being developed listing all vendors with pricing to address this in the future. In the meantime, ACHS has contacted those vendors in questions and received credit for the over-billing.

ACHS Response to Auditors' Draft Report

ACHS agrees that they have had difficulty paying invoices in a timely manner and had a large accounts payable balance on December 31, 2005. Part of the reason for this lay in the contract and payment processes as well as the historic timing of those. In September 2006, the County increased the advance to $1 million at the suggestion of the Controller's Office and this has reduced the problem. In addition, the Controller's Office suggested more frequent billing which has been implemented and is also helping. Finally, ACHS is tracking the steps in the process to try to flag delays that might impact timeliness of receipt of reimbursement to ACHS and subsequent payment to vendors...

Contrary to what is reported, ACHS does use an automatic generic substitution policy and considers use of brand name medications to require the same justification that any other non-formulary drug would require. It is possible that there was a misunderstanding when the auditors were told by the CEO that ACHS maintains inmates on medications they were taking in the community for an initial period unless the doctor feels it is contraindicated. This does not negate substitution of generic for brand name medication.

ACHS agrees that computerized systems would greatly enhance control of the flow of medications and the monitoring of inventory. Computer wiring to enable that has been installed in most of the areas of the Jail where it would be needed to implement this. Some areas of the medical work space have computers that cannot yet access the network due to cabling problems. Computers are installed in many but not all sites. Staff computer training is proceeding and electronic medication ordering and distributing software is being examined. As noted in the planning goals for ACHS, electronic medical records are in development and will begin to more fully go on line in 2007. On a temporary basis, an access database of persons receiving chronic medications is being used to monitor re-orders.

Finally, the auditors question the healthcare reporting structure which was clarified in subsequent correspondence as billing, competitive bidding, contracting, payment, cost control, etc. These functions have been under discussion for several months and are being assigned in conjunction with a re-alignment of duties resulting from the Board of ACHS creating an expanded financial management position.

Finding # 2 Inmate Health Costs are not being properly controlled:

Response: In any data comparison, evaluators must assure that comparisons are made appropriately.

1. Data provided to ACHS from the National Institutes of Health and the Centers for Medicare and Medicaid Serivces (CMS) by Judith Lave, Ph.D., Chair, Health Policy and Management and Professor of Health Economics at the University of Pittsburgh Graduate School of Public Health shows that over a five year period through the end of 2004, personal healthcare expenditures increased over 48% in that period; drug costs increased almost 80% cumulatively; and physician services approximately 48% cumulatively. The Pennsylvania Health Care Cost Containment Council reports three year hospital expenditures increasing 7% each year over a three year period or over 21% (allowing for the compounding) over that period. While various health CPI comparisons may be useful, it must be remembered that the health CPI uses a constant market basket and does not take into account the technological changes including the development of new medications that significantly drive costs.

2. The auditors do not address the cost implications of the ACHS mandate for services that meet community standards and stand up to legal decisions about the rights of inmates to healthcare. One factor driving costs, for example, is the change in the standard of care for persons with mental illness. The community standard is now the use of atypical antipsychotic drugs that were not even available in 2000 when ACHS started its work.

3. In looking at cost changes, they do not recognize the continuing contract that ACHS had from 2000 - 2004 where costs such as general and professional liability costs may have been carried from one year to the next within the contract.

4. The figures cited as comparison examples do not provide total cost but rather the amount paid to a private provider who has caps on what that provider is required to pay after which the County must pay.

5. Those jails cited as comparisons do not have comparable services. For example, Chester County has a small infirmary and no discrete mental health units. They have no drug and alcohol treatment program. Butler County has only a small infirmary. Dialysis patients are rarities at these facilities while the Allegheny County Jail is rarely without at least one person on dialysis and for a period in 2005 had 5 people on dialysis for a month in the summer. Many of the other Jails release women when they go to the hospital to deliver a baby or give a medical furlough thus passing the costs on to the inmate, the hospital or medical assistance.

6. In face to face meetings, the ACHS COO and CEO noted that it is important that any comparisons between ACHS and medical services provided to inmates in other facilities provide comparison data with Jails whose populations approximate the size and demographic of the Allegheny County Jail inmates. Rural and suburban populations are distinctly different than inner city populations. San Francisco, Denver and Philadelphia were mentioned. Comparisons with Denver County Jail (whose 2005 per inmate per day costs were $12.75) or the Philadelphia Prison (whose current costs are at $20.00 per inmate per day) are much more relevant although neither of those facilities provides the drug and alcohol treatment that is provided at the Allegheny County Jail. Denver also has the advantage of a county hospital with a special Jail wing shared by the Denver County Jail and the Colorado Department of Corrections. Philadelphia had an even higher per inmate per day cost (approximately $22.50) until county leadership supported a lower hospital rate for their inmates.

7. A recent National Institute of Corrections (NIC) study of the Allegheny County Jail population documented some of the changes that contribute to change in healthcare costs. The first is simply the increase in average length of stay. Between 2001 and 2006, the average length of stay increased by 31%. Why is this significant? Because the longer the person is in Jail, the more likely it is that some significant health need will arise. Persons in Jail for just a few days may not need a surgical repair of a hernia, for example, while persons there for six months may have an exacerbation requiring surgery.

8. Another highlight of the NIC study is a doubling of demand for Jail beds by inmates over the age of 50, persons who are likely to have more chronic and acute health problems that a younger population. This bears out what ACHS has experienced and reported regularly at meetings of the Prison Oversight Board—the Jail is housing a sicker population. Inmates

are being picked up from nursing homes and hospitals and brought to Jail. Injured inmates are brought in on bench warrants with notes from local hospitals saying, "Stable for incarceration. Inmates must have surgery in three days for ..."As they are being brought in on bench warrants, we are unable to reject them and ACHS, and therefore the County, bear the cost. One woman was even brought in on a warrant in active labor causing the County (through ACHS) to pay for her labor and delivery even though she had medical assistance that would have paid had she not been brought in on a warrant!

9. As noted earlier, one of the charges to ACHS was to improve the care given to mentally ill inmates and to assure that artificial barriers were not being used to keep them from care. ACHS has largely achieved that, however, that achievement is not without cost.

Finding # 3: ACHS needs to reduce the Jail's medication costs.

Response: ACHS agrees that keeping medication costs at the lowest appropriate level is an important goal and one that ACHS had set prior to this program audit. There are two ways to reduce medication costs. The first, by systematically denying medications (particularly psychotropic medications), was one of the practices ACHS was charged with stopping and one that all agree is inappropriate. The second is by prudent buying, a strategy that ACHS has been employing.

Again, however, the cost comparisons shared in the draft report may not be appropriate or accurate. According to a spread sheet (attached as part of an appendix) showing how much higher the prices would have been had ACHS used the County's contract for "County scripts", ACHS pricing is $111,000 less than the price we would have paid had we purchased through the County's existing contract used by DHS. Our current arrangement provides all the special packaging and oversight by a registered pharmacist needed for an accredited correctional program as well as ongoing medication educational opportunities for staff and inmates through the video library provided to us. The Internet pricing did not include the required pharmacist oversight for accreditation and, in an interview with Kevin Nipar at the Kane Regional Centers, he confirmed that the prices he quoted included neither the correctional packaging or pharmacy oversight time.

ACHS has already spoken to their current provider about a strategy to purchase some medication in bulk at the Health Department rate and have it packaged for our needs through our current vendor as well as piggybacking on the County's purchasing through Amerinet when either of those offers a more cost effective option. All options considered, however, must meet our special needs as a correctional facility provider. It should be noted that the ACHS pharmacy vendor is already providing many medications at lower costs than the Health Department can buy at government contract rates and that ACHS also purchases many medications at rates cheaper than the Kanes. ACHS is working toward an electronic system for ordering, managing inventory, and medication administration records, which ultimately should allow continuing purchase at the best price. Again, full development is contingent on having adequate computer capacity as discussed elsewhere in this report.

As to the so-called ""incorrect" filling of prescriptions, the auditors did not consider the medication reorder process whereby medications re-orders are requested by the nurses 7-10 days in advance of an order expiration in order to assure physician review, arrival, and distribution without interruption nor did they consider the need discussed earlier to provide medications for persons when they leave the Jail or when they transfer to alternative housing, a site at which ACHS may

still be providing medications to the inmate. The practice of ordering a full 60 or 90-day order which may have contributed to the appearance of incorrect filling had already been stopped. The medications ordered, however, were not wasted excess.

ACHS's pharmacy vendor requested a face-to-face meeting with the auditors before any report is issued which in their opinion contains damaging erroneous information about their provision of service to ACHS. The auditors initially rejected this request. Subsequently, a meeting was apparently offered and did not occur. As noted earlier, information from the pharmacy vendor, including their request for a face-to-face meeting to address information, was given to the auditors. It was not included as an appendix to this report for reasons of patient confidentiality.

Finding #4: Questionable costs:

Response: The review cites ACHS for not crediting the Health Department for amounts received from DHS after the end of the year under review. Amounts could not be credited to ACHD in 2005 as the funds were not received until June 2006. ACHD was credited in an August 2006 invoice. ACHS is putting a quarterly review in place to monitor adjustments of this type.

The auditors questioned expenses for employee recognition activities. ACHS does NOT consider these expenses to be "questionable" in any way. The holiday dinner and baseball event were important team building activities for a staff that has daily stress in a sometimes hostile environment. The market for nurses is a highly competitive one and ACHS struggles to recognize them whenever possible. These events provide one way. It should also be noted that ACHS board members were aware of, invited to, and attended one or both of these events.

Also questioned was the small amount spent on "pastries" which were donuts for correctional employees week (referred to in board minutes as well). ACHS invited correctional officers and staff to have donuts and coffee as they came on shift and to have blood pressure checks when they stopped by. Other health educational materials were available. ACHS staff rely on correctional officers to work with them in a collegial fashion on a daily basis. Relationships are often strained by history and the dynamic tensions between security and treatment priorities. It is important for ACHS to be part of these events and to build relationships through such small gestures as this. The Chaplain's Office also spends money to provide ice cream to the staff and Aramark provides special meals for that week.

The auditors questioned purchase of a "rug" that "could not be found", mouse pad Persian rugs given as a novelty gift for persons who had provided service to ACHS without charge, again a reasonable business expense of a nonprofit organization. Questions about who signs off on expenses of the COO are answered simply by the fact that the Chairman of the board signs and approve all those checks and expenses.

The auditors also questioned therapy supplies and refreshments for the community follow-up groups associated with the drug and alcohol program. These were approved expenditures and were expenditures that were part of a pilot program to determine some of the variables impacting continuing treatment compliance.

The questions about travel reimbursements for attendance at the NCCHC meeting are based on an erroneous assumption about ACHS's travel policies. ACHS has been credited for all other items that the auditors questioned including the Napster card, a $10 item apparently added by the IT consultant when buying ACHS computers, the invoices paid twice, and the $27.00 alcohol

addition to a food bill. The two staff members who were inadvertently not billed for their hospitalization co-pay already signed salary reduction agreements to address this bookkeeping error. The physician who was overpaid was overpaid through a bookkeeping error. This money has not yet been credited. The expanded position described earlier will have responsibility for closer monitoring of these matters.

Finding #5 Account payable balances:

Response: ACHS agrees that vendors should be paid promptly and has struggled with the County's timing of contracts and invoice turn-around. Funds due at the end of 2005 were to be covered by a contract amendment that, while discussed for months, did not arrive as a fully executed document until 2006 thus impeding ACHS's ability to simultaneously meet payroll and reimburse vendors in the timely fashion that they deserve. ACHS has shortened its time between invoices to the County from a month to two weeks and now to a week and the County expanded the imprest cash fund to $1 million in September 2006 as noted earlier.

Finding # 6: Inmates are not charged for healthcare.

Response: ACHS does not charge inmates for healthcare other than eye exams and glasses, a recent innovation. ACHS has repeatedly requested permission to charge inmates a co-pay for medical services including sick call and clinic visits. The Jail has a mechanism in place to support such charges and the revenues could offset costs. There is another side benefit to charging a modest co-pay. ACHS believes that inmate financial responsibility is an important concept in rehabilitation and helps inmates make choices about managing their health. Charges proposed by ACHS would be minimal and inmates without funds would not be denied care at any time. ACHS has been repeatedly blocked from charging co-pays despite the fact that co-pays are the norm in correctional settings including the Pennsylvania Department of Corrections Facilities.