

APPENDIX 10



**PHARMACY MANAGEMENT CONSULTING
SERVICES**

2009 Annual Report

**To the
California Prison Health Care
Receivership Corporation**



February 26, 2009

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Office of the Receiver
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Dear Bonnie:

As you know, Maxor has been engaged in tremendously complex and challenging work involving a comprehensive overhaul of the California prison system pharmacy program. It is my belief, that working with your office and dedicated staff, we continue to make progress and have achieved positive results in implementing the *Roadmap to Excellence*.

I am pleased to forward you this 2009 Annual Progress Report outlining the key accomplishments and challenges during the last year and identifying key activities planned for 2010.

We believe the results speak for themselves. An actively managed formulary and effective targeted pharmacy contracting processes are in place. Access to key pharmacy management data is now available in 29 of the 33 of the CDCR facilities through the implementation of the Guardian operating system resulting in increased accountability. Cost avoidance compared to prior cost trends was approximately \$48.4 million in 2009. The long awaited Central Fill Pharmacy will open in 2010 providing staffing and inventory efficiencies that will generate savings for years into the future.

While the year has not been without its challenges, I am proud of the dedicated and professional effort our Maxor team and CDCR/CPHCS partners have put forth and the standard of excellence that has been established. I look forward to the next year and am confident that our team is up to any challenges it may bring.

Sincerely,

Jerry Hodge, Chairman

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PHARMACY MANAGEMENT CONSULTING SERVICES

Annual Report January - December 2009

Introduction

In January 2007, the California Prison Health Care Receivership Corporation (CPR) and Maxor National Pharmacy Services Corporation (Maxor) entered into an agreement to provide management consulting services necessary to achieve improvements to the California Department of Corrections and Rehabilitation (CDCR) pharmacy services. The purpose of this agreement was to implement the court approved strategic plan for achieving safe, effective and efficient pharmacy practices (*Roadmap from Despair to Excellence*).

From the outset of this arrangement, the Maxor team worked with the Office of the Receiver to ensure that direction and priorities were established consistent with the overall *Plata* medical care reform effort. These priorities include working closely with the Court's experts in the *Coleman* (mental health) and *Perez* (dental) litigation. In addition, a focus has been maintained on establishing a sustainable pharmacy services program that can be transitioned back to CDCR management.

The required improvements outlined in the *Roadmap* are organized into seven primary goals, each supported by specific objectives and timelines:

- Goal A:** *Develop meaningful and effective centralized oversight, control and monitoring over the pharmacy services program.*
- Goal B:** *Implement and enforce clinical pharmacy management processes including formulary controls, Pharmacy and Therapeutics committee, disease management guidelines, and the establishment of a program of regular prison institution operational audits.*
- Goal C:** *Establish a comprehensive program to review, audit and monitor pharmaceutical contracting and procurement processes to ensure cost efficiency in pharmaceutical purchases.*
- Goal D:** *Develop a meaningful pharmacy human resource program that effectively manages staffing, compensation, job descriptions, competency, performance assessment, discipline, training, and use of the workforce including temporary employees and non-pharmacist staff.*

Goal E: *Redesign and standardize overall institution level pharmacy drug distribution operations for inpatient and outpatient needs. Design, construct and operate a centralized pharmacy facility.*

Goal F: *Based on a thorough understanding of redesigned work processes, design and implement a uniform pharmacy information management system needed to successfully operate and maintain the CDCR pharmacy operation in a safe, effective and cost efficient way.*

Goal G: *Develop a process to assure CDCR pharmacy meets accreditation standards of the designated healthcare review body (NCCHC or ACA) and assist in obtaining accredited status.*

During 2009, Maxor and its California Prison Health Care Services (CPHCS) partners made substantial progress towards accomplishing the *Roadmap* goals and objectives even with the significant fiscal issues facing the state. Significant improvements in pharmacy processes have been implemented, setting the foundation for a more effective, safer and accountable system. Meaningful data for the management of pharmacy utilization is being captured and analyzed. Already medical leadership is using this data to establish medication related quality improvement and utilization management goals.

Overall pharmacy costs are being held in check, even as the costs for certain disease categories have gone up due to increased access to care made possible by the Receiver's health care system improvements. At the same time, all parties recognize that much remains to be done. Key among these tasks are the completion of the final facility conversions to the GuardianRx pharmacy operating system, the opening and implementation of the Central Fill Pharmacy and establishing the framework and process for transitioning the management of pharmacy services back to the State.

This report outlines key accomplishments and progress along the *Roadmap*; provides an updated status report for each of the *Roadmap* specific objectives; and identifies key challenges as we move into 2010.

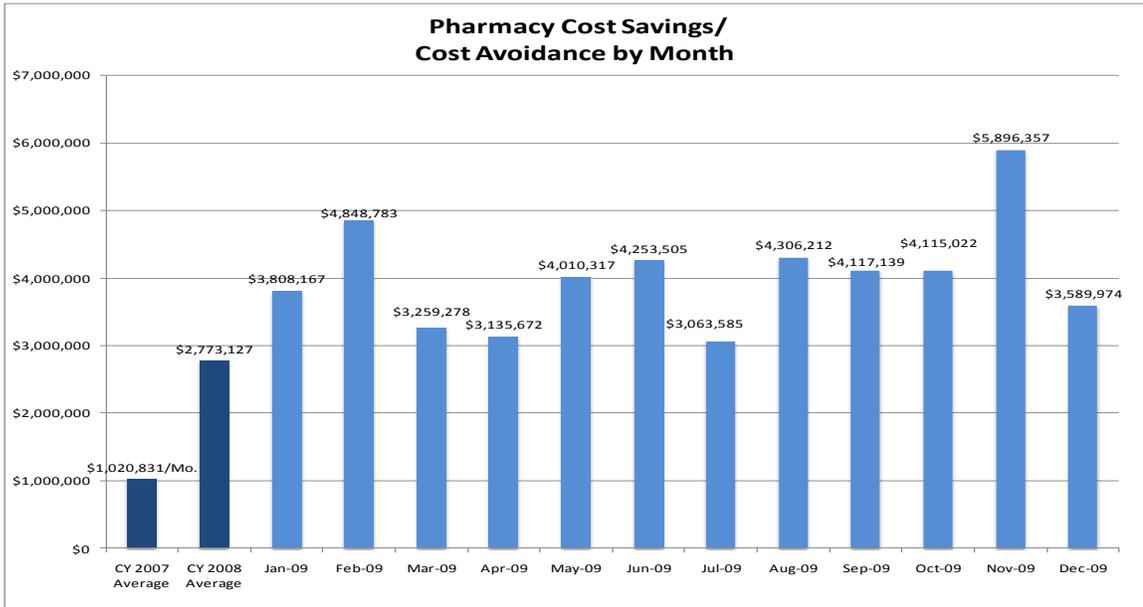
Summary of Key Accomplishments in 2009

The *Roadmap to Excellence* is intended to lead the CDCR towards an accountable and responsive pharmacy services program resulting in three desired outcomes: improved patient safety; evidence-based pharmacy services; and a cost-effective pharmacy program. Continued progress has been made towards achieving each of these outcomes. This 2009 Annual Report is the third Annual Report we have prepared and updates progress of the pharmacy improvement initiative through December 2009.

During the third year of the *Roadmap* implementation, much of the activity has been focused on strengthening the policies, procedures, administrative processes and performance of the pharmacy program; extending implementation of the GuardianRx® pharmacy operating system to most facilities; moving forward on plans to build, equip and bring into operation a central fill pharmacy; and establishing the tools and techniques to use the wealth of pharmacy data now available to improve both the effectiveness and efficiency of health care practices. Key accomplishments are summarized below:

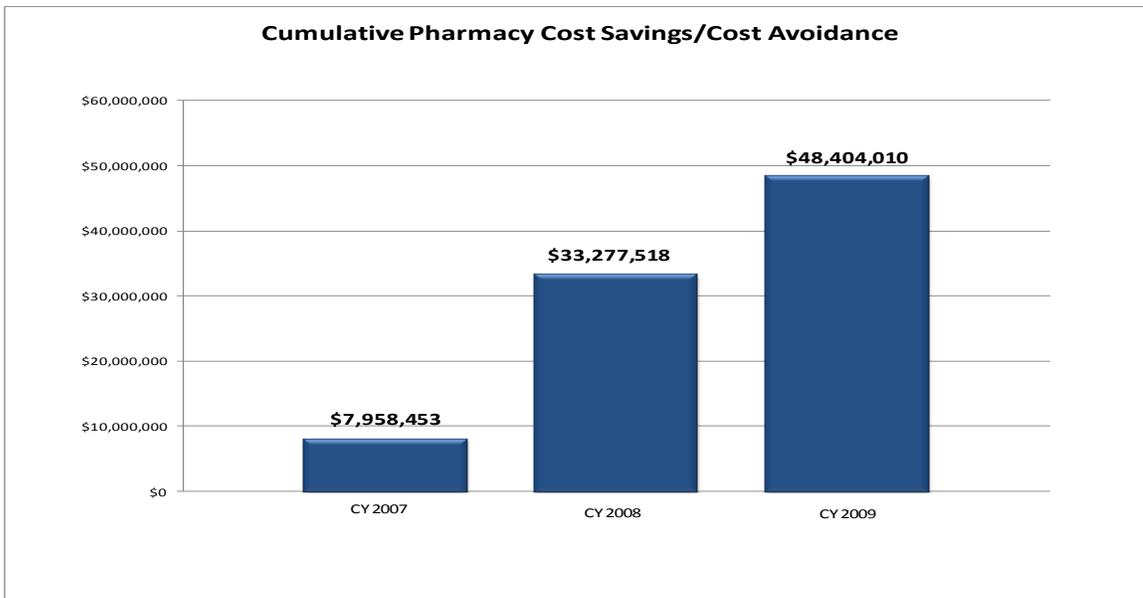
- The coordination of pharmacy related issues and concerns between the *Plata, Coleman* and *Perez* parties, to include membership and active participation in the revitalized CDCR Pharmacy and Therapeutics Committee has continued. This vital coordination provides a consolidated interface between the three major health care cases and ensures the focus on improved patient safety, evidenced-based practices and cost-effective formulary management remains at the forefront of the decision-making process.
- Significant cost savings compared to prior historical trends have been realized as the various components of the *Roadmap* have been implemented. During 2009, approximately \$48.4 million in estimated cost avoidance was realized when compared to previous cost trends. Cost avoidance by month is illustrated in Figure 1 below.

Figure 1.



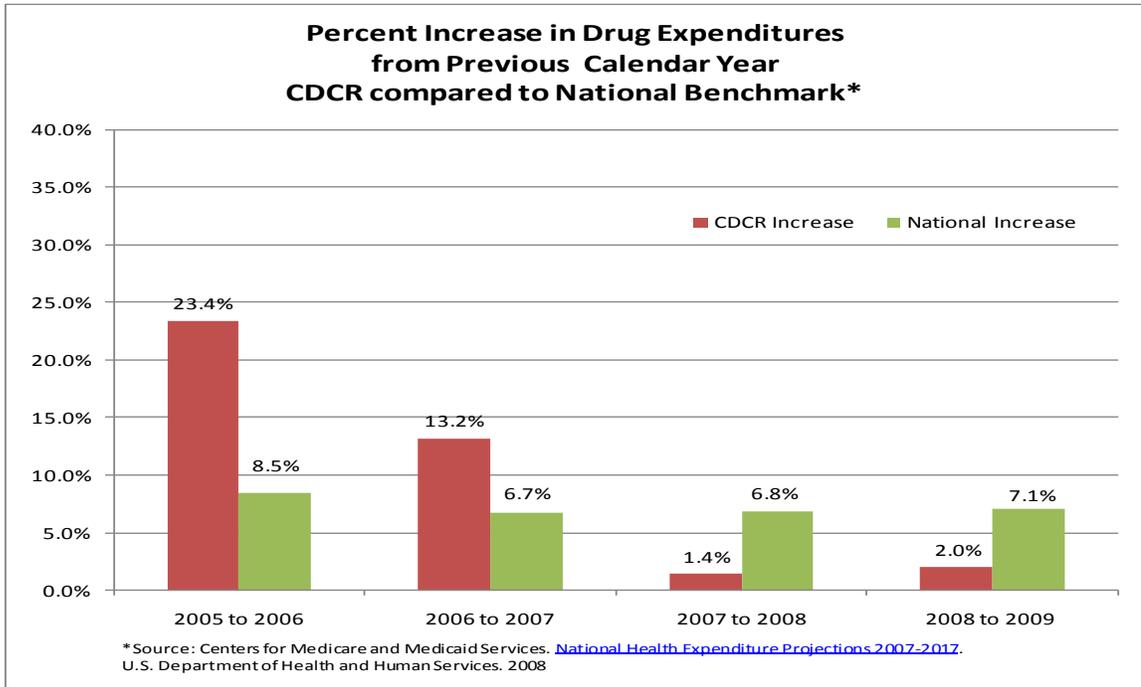
Cumulatively, estimated cost avoidance compared to prior purchasing trends is more than \$89.6 million since Maxor began managing CDCR pharmacy purchases in April/May of 2007. Figure 2 displays the cumulative cost avoidance for each of the last three years.

Figure 2.



Collectively, our efforts to control the costs of pharmacy care have resulted in a significant lowering of the annual increases seen in prior years. As illustrated in Figure 3 below, the percentage increase in drug expenditures in 2009 (2.0%) is well below the 23.4% and 13.2% increases seen in 2006 and 2007 respectively. In addition, in comparing benchmark projections, the increase was about a third of that expected nationally.

Figure 3.



This cost avoidance is even more significant when one considers that many of the related medical care improvement initiatives being implemented concurrently are increasing the numbers of inmate-patients being treated. For example, Figures 4 and 5 below illustrate the increased costs experienced in HIV and Hepatitis C medications respectively resulting primarily from increased access to treatment for these conditions. Figure 4 shows that by the end of 2009, CDCR was spending almost double the amount of money each month for HIV medications than in 2006 before the reform efforts began. Over that same time comparison, Hepatitis C medication spending has increased almost eightfold (see Figure 5). In dollar terms, CDCR spent \$11.1 million more in 2009 than in 2008 for HCV medications and \$3.1 million more for HIV medications.

Figure 4
Monthly HIV Costs

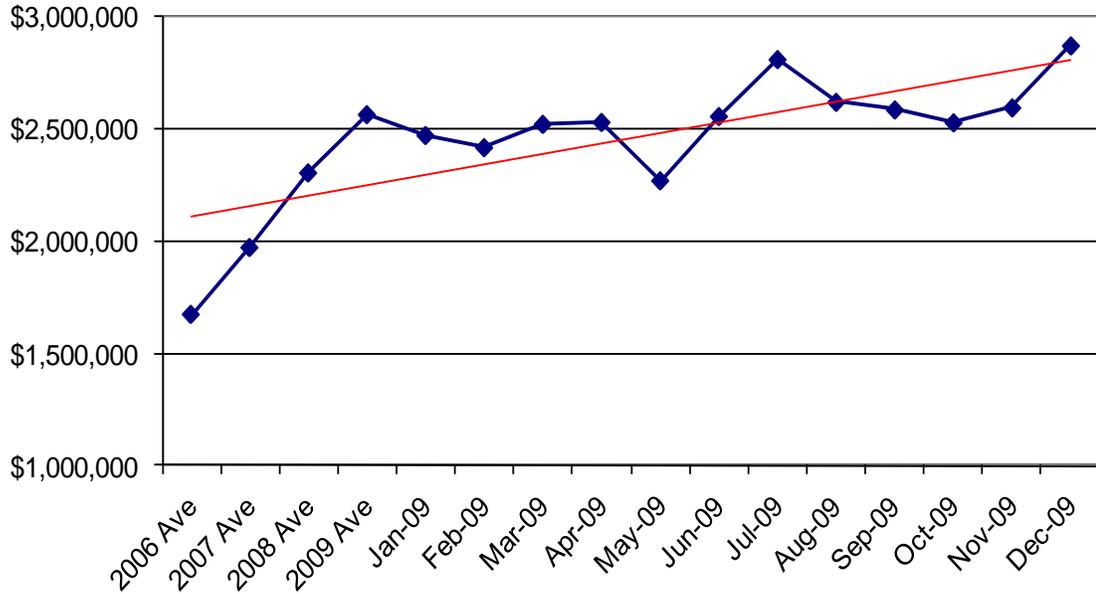
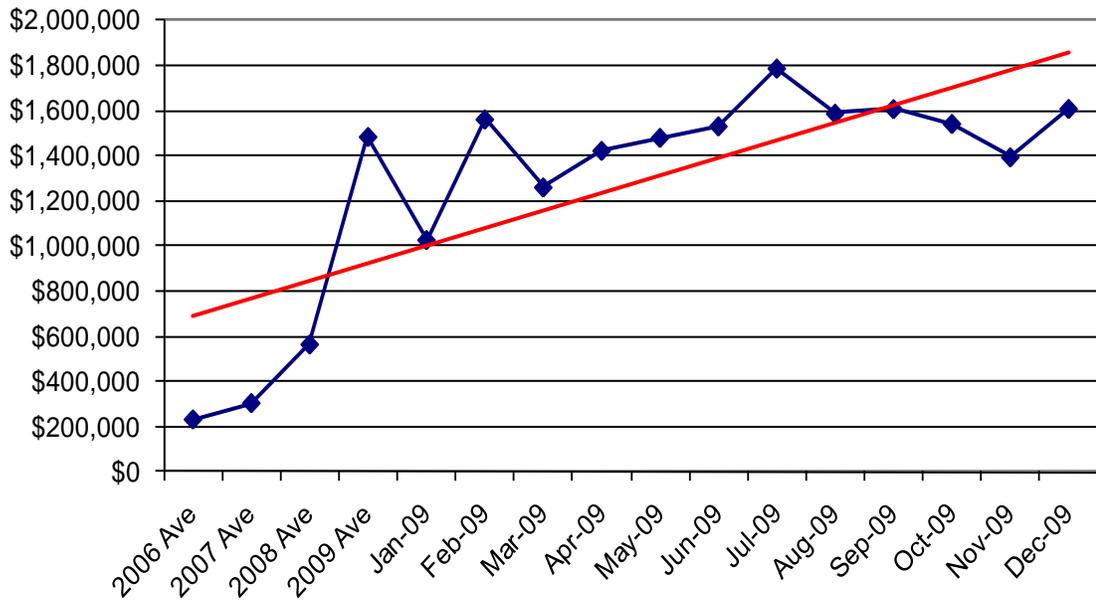


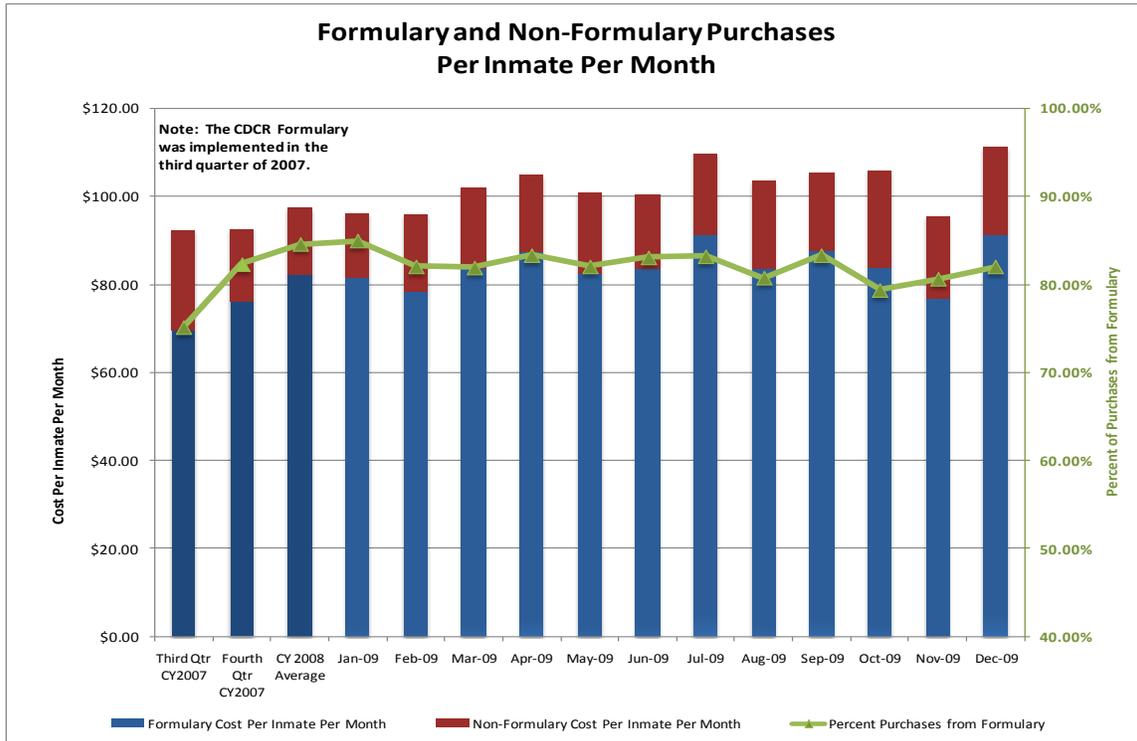
Figure 5
Monthly HCV Costs



- Throughout 2009, the CDCR Pharmacy and Therapeutics Committee has continued to provide clinical leadership for the pharmacy program and has accomplished the following:
 - Completed a comprehensive review and update of all pharmacy related policies and procedures;
 - Continued to systematically schedule therapeutic category utilization reviews; the therapeutic interchange program now includes 19 drug classes and all major therapeutic drug classes have been reviewed. A cycle of ongoing therapeutic class review will continue to ensure a regular review of all drug classes.
 - Continued its ongoing management of the standardized Correctional Formulary, including monthly consideration of changes, additions and deletions to the formulary.

- In 2009, efforts to drive more of the pharmacy purchasing to the formulary have also progressed, although there is still room for improvement. The per inmate per month cost of non-formulary medications has been reduced from an average cost of \$19.76 in 2007 to \$18.38 in 2009. Over the same time, formulary purchases as a percentage of the total purchases have increased from 78.7% to 82.1%. The clinical leadership team has identified and distributed a Medication Efficiency and Quality Improvement (MEQI) initiative that has targeted several goals related to pharmacy utilization including a reduction in non-formulary medications to three percent or less of total prescriptions, including over-the-counter (OTC) items; a reduction in average pharmacy costs per patient-inmate of at least ten percent; and a ten percent reduction in the average number of prescriptions per patient-inmate. Figure 6 illustrates the formulary and non-formulary costs for 2009 compared to prior year averages.

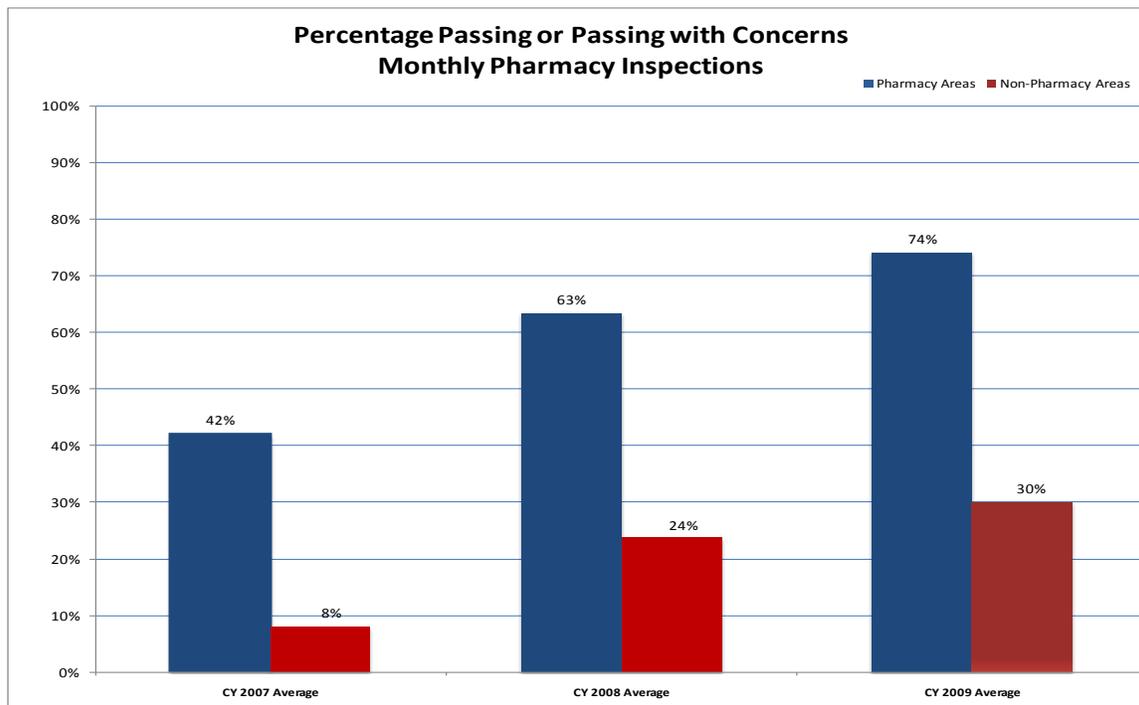
Figure 6.



- Clinical Pharmacy Specialists (CPS) continued their active support of pharmacy initiatives by providing in-service training to providers, pharmacy and nursing staff on approved Disease Medication Management Guidelines, conducting in-service training for facility staff on pharmacy policy and procedures, and discussing targeted non-formulary purchases with facility leadership.
- A formal Pharmacotherapy Management Consult (PMC) and process has been rolled out to several facilities, along with a pilot project to extend the duration of certain medical prescriptions to twelve-months. By the end of December, CPOS has presented Pharmacotherapy Management Consults (PMC) to Medical leadership at CCWF, CVSP, MCSP, COR, SATF and SAC.
- Extensive emphasis continued on training and implementation of enhanced performance monitoring metrics in coordination with health care leadership. These activities included additional report refinement and training of staff and PICs on newly defined clinical performance metrics.
 - A Mental Health PMPM cost metric was added to the Pharmacy Dashboard.
 - Additionally, prescription related metrics relating to non-formulary prescriptions and prescriptions per inmate are being compiled on a regular basis for inclusion in the Facility Monthly Management Reports.

- During 2009, clinical and managed care reports were routinely produced each month for facilities that are using the GuardianRx® operating system. Monthly report sets are auto-emailed to PICs starting the first week of the month for the preceding reporting period. These reports include system-wide, facility level and provider level data.
- Working with the CPCHS clinical leadership and the Public Health Unit, Maxor worked to ensure that sufficient influenza vaccine was procured and distributed in a timely manner to support the 2009 Influenza Vaccination initiative. More than 130,000 doses of the vaccine were procured and distributed throughout the various CDCR facilities in accordance with pre-determined targeted levels. Additionally, H1N1 immunizations and the stocking and staging of Tamiflu® for response were coordinated with the Public Health Unit.
- Pharmacy inspections are conducted and documented monthly, with progress slowed across the state as many of the remaining issues causing inspection failures are beyond the immediate control of the facility (e.g., infrastructure and space). The number of pharmacies with an inspection rating score of pass/problem (not failed) has increased from 42 percent in 2007 to 74 percent in 2009 (see Figure 7).

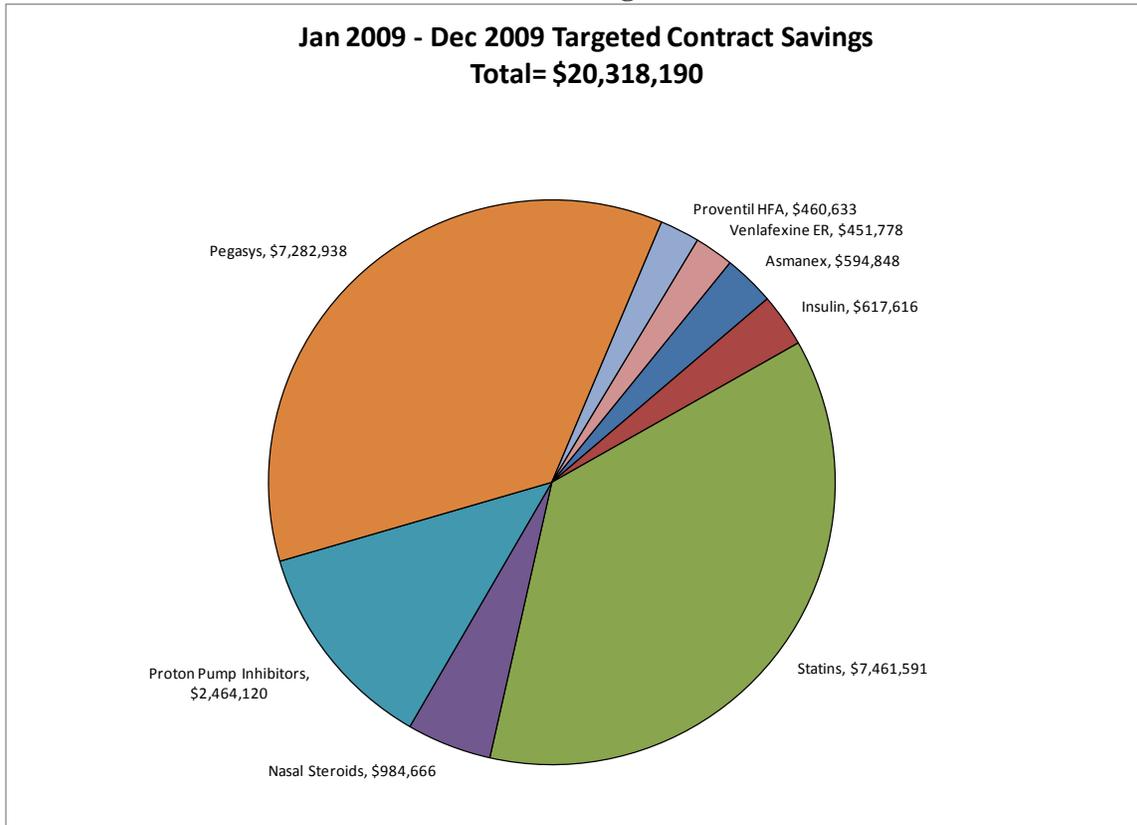
Figure 7.



- By the end of 2009, the GuardianRx® pharmacy operating system had been implemented in 29 of the 33 CDCR institutions.

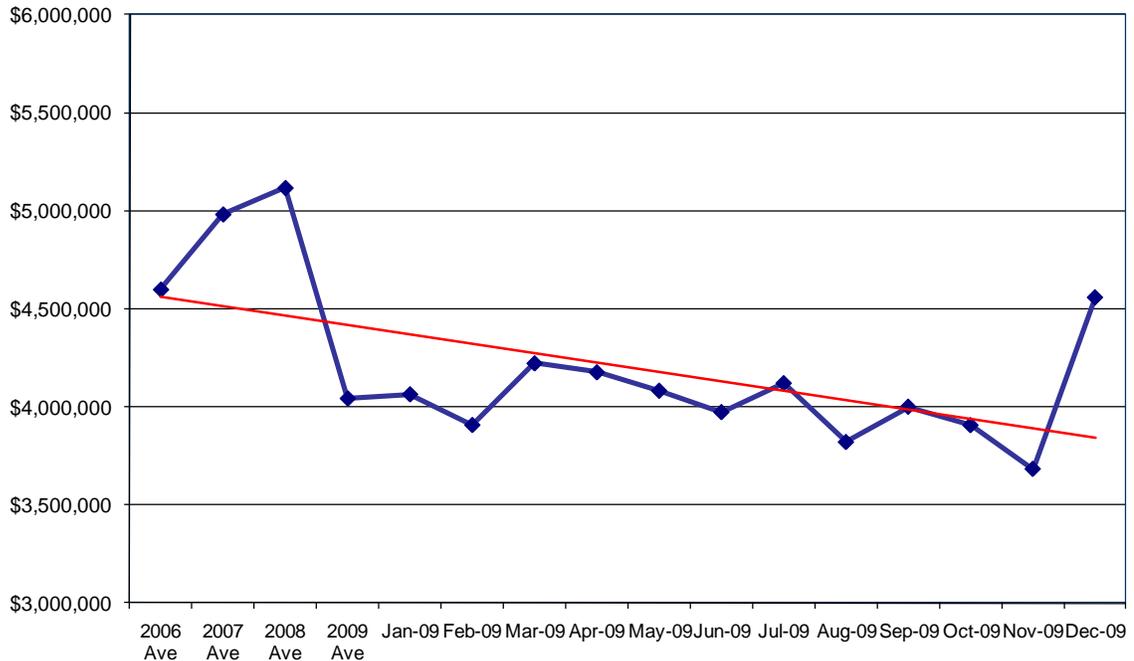
- An additional schedule was developed to allow teams to return to facilities that have already implemented GuardianRx® in order to assess their status, provide supplemental operational oversight and training and to upgrade the facilities with new system functionality.
- Also during 2009, prescription imaging and return-to-stock capabilities were implemented as enhancements to the GuardianRx® system. The prescription imaging capability allows prescriptions to be scanned into the system and available enterprise wide. This process permits workload sharing and enhances the ability to respond to emergency situations. The return-to-stock (RTS) process provides a system for accounting for and managing the reissue of medications at the facility level that are eligible to be reclaimed. During the last half of 2009, this process recorded more than \$6.4 million of reclaimed medication.
- Recruitment efforts continued during much of 2009 in an effort to fill pharmacy positions across the State. Maxor continued to support these efforts by working with human resources staff through the centralized hiring process to identify, interview and select qualified applicants. These efforts were impacted by the budget shortfall faced by the state with some applicants declining positions offered due to the staff furloughs situation. Additionally, in conjunction with planning efforts related to the Central Fill Pharmacy, pharmacy leadership worked with finance and human resources staff to address significant differences between the deficient historical pharmacy staffing levels approved in prior appropriations cycles and the actual staffing levels required by current workloads and processes.
- Additional content was developed throughout the year for *MC Strategies*, an educational and tracking software tool used to push out training material to pharmacy employees. Policy and procedure revisions, disease medication management guidelines and other key processes are deployed as learning content in the software. By the end of 2009, the system-wide completion rate for these lessons was 89%. In early 2010, the use of MC Strategies will be discontinued as a result of budget reduction decisions. Going forward, training will be deployed through CPHCS training support.
- During the year, monthly Pharmacists-in-Charge meetings were held to provide training and skills development. These meetings serve as an important forum for communicating changes to policies and to provide facility staff with an opportunity to provide input into policies and practices.
- In 2009, Maxor continued to manage the purchasing and procurement of pharmaceutical products for the CDCR population. By working closely with the Pharmacy & Therapeutics Committee to identify favorable contracting opportunities, Maxor has negotiated with manufacturers on selected therapeutic categories. The resulting targeted contracts have contributed to significant savings over prior pricing arrangements, totaling \$20.3M in 2008. Figure 8 depicts these savings by drug.

Figure 8



- During 2009, approximately \$1.8M in returns credit was captured based on the return and reclamation contract.
- As discussed earlier, comprehensive pharmacy related cost avoidances have been realized. A good example of the impact of such efforts is illustrated by examining the monthly purchases of atypical mental health drugs. Figure 9 shows that the atypical drug costs are trending downward. As a result, CDCR spent about \$12.9 million less in 2009 than in 2008 for atypical mental health medications. Atypical mental health drugs as a percentage of all drug purchases has dropped from 45.8% in 2008 to 35.3% in 2009.

Figure 9.
Atypical Monthly Drug Costs



- Work continued towards the establishment of a Central Fill Pharmacy Facility (CFP) for the CDCR, with increasing emphasis during the last half of the year as work moved from the planning to the construction and design phases.
 - Following the final approval of the lease terms with the property owner by DGS in early August, demolition, permitting and renovation work on the facility was started. Coordination with DGS architects and space planners, the CPHCS Project Manager, the construction team and the automation vendor occurred on a daily basis as this vital project entered the active construction phase.
 - Coordination with Cornerstone Automation Systems (the vendor selected to provide the automation equipment for the facility) was conducted to ensure the system design meets CDCR's needs; the equipment specifications are met; and that installation and testing occurs on time.
 - Important implementation and startup planning documents, work flow diagrams, employee duty statements and related operational documents were developed to support the opening of the CFP.
 - Work related to the staffing and operation of the facility also continued. A plan was developed for the process of moving positions for the Central Fill Pharmacy and to address system wide pharmacy staffing. A post Central Fill Pharmacy staffing model was approved and continued to be refined.
 - Based on approved schedules, the Central Fill Pharmacy Facility is estimated to be operational by May 2010. Once opened, the approved implementation

plan to transition all prisons to central fill is expected to take 18 months to complete.

- Maxor has also invested considerable time and resources to support a variety of health care improvement initiatives including providing pharmacy expertise and assistance in the CPHCS design, construction and renovation projects, supporting the access to care and utilization management initiatives, providing data in support of inspections by the Office of the Inspector General, and providing support other Receivership improvement initiatives.
- Monthly metrics and progress reports, quarterly submissions for the Receiver's report to the Court and other requested documentation have been produced for CPHCS as requested. These reports described activities of the project team in detail, as well as provide documentation of the progress achieved.
- During 2009, Maxor also worked collaboratively with CPHCS and CDCR to assist in addressing the budget issues confronting the state. Working with CPHCS leadership, Maxor reduced its contract budget by more than ten percent. We worked closely with CPHCS and CDCR staff on identifying and analyzing the impact of cost saving opportunities.
- Finally, working with CPHCS leadership, work began on laying the foundation for establishing the pharmacy services leadership and infrastructure needed to maintain the progress achieved and to begin planning a transition of pharmacy management back to CDCR.

Status Report on Roadmap Objectives

The following sections provide a brief status report on each objective outlined in the *Roadmap*.

GOAL A: *Develop meaningful and effective centralized oversight, control and monitoring over the pharmacy services program.*

A.1 Establish a central pharmacy services administration, budget and enforcement authority.

A critically necessary component of a functional pharmacy improvement plan as identified in the *Roadmap*, and by each previous audit group, is the development of a core pharmacy leadership structure using key staff with demonstrated performance in strategic and operational development skills matched to the project. As a part of our management contract, Maxor recruited and employed experienced and well qualified correctional pharmaceutical clinicians. Since commencement of the project, the Maxor team expanded to meet revised work requirements and now includes a Director of Pharmacy, two Assistant Directors of Pharmacy (one for Clinical and one for Operations), four Operations Managers, 12 Operations Pharmacy Technologists, three Clinical Pharmacy Specialists, two Nurse Liaisons, and supporting staff.

Status: Completed. Management is ongoing. The establishment of a management structure within CPHCS to manage the overall pharmacy services program will be a key component of transition planning in the coming year.

A.2 Establish direct lines of authority to all pharmacy services personnel and define linkage to central medical staff.

A clear organizational chart of reporting relationships and chains of command and coordination was developed with input from and approval by the Receiver. Orientations were held with all new Pharmacists-in-Charge (PIC) to educate staff on the *Roadmap* objectives and to clearly delineate lines of authority. Monthly PIC meetings have been conducted throughout the year to keep key pharmacy personnel abreast of current initiatives and ensure timely implementation of the *Roadmap* objectives. Regular meetings between Maxor and the CPHCS/CDCR Medical Directors, Directors of Nursing, Administrators and select Regional providers serve as a forum to address operational aspects of achieving the *Roadmap* goals and objectives. Maxor team members participate routinely in a number of steering committees and project teams charged

with various improvement initiatives. In addition, Maxor has maintained continuous communication with the Receiver's staff as well as the Court appointed experts, responding to issues as requested.

Status. Completed/Ongoing.

A3. Update and maintain system wide pharmacy policies and procedures.

Pharmacy Policies & Procedures have been comprehensively reviewed and revised, with numerous additions and updates to ensure that the policies and procedures reflect required standards and practices. During this reporting period, the P&T Committee approved numerous proposed changes to the pharmacy policies and procedures manual and completed its annual review and update of the policies. Following P&T Committee approval, the policies were sent for final review and distribution by the new CPHCS policy and program evaluation department. An ongoing review cycle has been prepared to ensure these policies remain current.

Status: Completed and ongoing.

A4. Establish key performance metrics used to evaluate the performance of the pharmacy services program (see also A5).

The Maxor team, consistent with previous audits, found the existing CDCR data resource to be extremely limited, unreliable and incomplete. There was no means to reliably track dispensing or outcomes data prior to the implementation of the pharmacy operating system (GuardianRx®). Pre-GuardianRx® data resources are limited to medication purchases, limited raw, aggregate prescription data without individual medical record review. Using available resources, Maxor has continued to collect, validate and compile data into a functional indicator reporting and review system, known as the Pharmacy Dashboard. The Dashboard includes clinical, financial and workforce measures and is reviewed monthly by the P&T Committee and made available to CPHCS staff via the CPHCS intranet. The Pharmacy Dashboard data also feeds the Monthly Metrics Report for Pharmacy Services and supports other data compilation and tracking efforts within Allied Health Services.

The ongoing implementation of the GuardianRx® system is steadily increasing the availability and accuracy of key management data.

Status: Completed, with continued refinement as GuardianRx® is implemented.

A5. Establish standardized monitoring reports and processes designed to continually assess program performance (see also A4).

In addition to the pharmacy dashboard discussed under Objective A.4 above, a standardized institution audit process was established to assess adherence to standards of practice and policy & procedures. A team of Maxor staff completed initial in-depth inspections of each facility to serve as a baseline for the inspection report process. Using the baseline method established, PICs complete monthly inspections which include an operational review, an assessment of the pharmacy and non-pharmacy medication storage areas, adherence to community practice standards, regulations and CDCR policies, and a complete narcotic inventory. A facility stoplight inspection grid was also developed to allow comparison between institutions and quickly identify trends and facilities requiring corrective action. By the end of the year, review and executive ownership of this process has been transitioned to a CPHCS Chief of Pharmacy Services (A), with continued support from the Maxor team.

Status: Completed and ongoing.

GOAL B. *Implement and enforce clinical pharmacy management processes including formulary controls, Pharmacy and Therapeutics committee, disease management guidelines, and the establishment of a program of regular prison institution operational audits.*

B1. Revise and reconstitute, as needed, the current P&T committee and implement measures to allow for strong P&T oversight of prescribing and dispensing patterns.

A reconstituted Pharmacy & Therapeutics Committee was established on February 13, 2007, with membership from CDCR/CPR medical, dental, nursing, psychiatry and pharmacy (Maxor) leadership. The Committee also includes court appointed experts from the *Coleman* and *Perez* lawsuits. A clear charter, routine agenda, and monthly meeting schedule were also established. System wide standardization for all institutions to optimize patient care and assure safe, rational, cost-effective therapy is a key goal of the Committee including achieving uniformity in policies and procedures, formulary development, treatment guidelines and drug use processes including selection, procurement, prescribing, dispensing, administration, inventory, storage and controls.

The P&T Committee continues to meet monthly with a standardized agenda geared towards formulary management, pharmacy policy and procedure review, therapeutic category reviews, discussion of

performance metrics, and development of disease medication management guidelines. During 2009, the chairmanship of the P&T Committee moved from Maxor to a CPHCS physician leader and beginning in 2010, one of the two Maxor members of the P&T Committee will be replaced with the CPHCS Chief of Pharmacy Services (A).

Status: Completed and ongoing.

B2. Establish methodologies and schedules for tracking and monitoring formulary compliance and prescribing behavior.

A new CDCR Formulary was presented to the P&T Committee and approved in May 2007 and was distributed in June 2007. Regular updates to the formulary were made throughout 2008 and 2009. Each revision was posted on the CPHCS website (or intranet once it came online), uploaded to *Epocrates* and disseminated to the facilities. The Committee continues to monitor formulary and non-formulary utilization by facility (and by prescriber for facilities with GuardianRx[®]).

In 2009, the P&T Committee continued to systematically schedule therapeutic category utilization reviews; the therapeutic interchange program now includes 19 drug classes and all major therapeutic drug classes have been reviewed. A cycle of ongoing therapeutic class review will continue to ensure a regular review of all drug classes.

For facilities using the GuardianRx[®] operating system (to be all CDCR facilities by the end of April 2010), a series of managed care report formats have been developed to describe utilization and prescribing trends and provide a valuable tool for managing the pharmacy program. These reports were made available for GuardianRx[®] facilities on a monthly basis throughout 2009.

Additionally, a formal Pharmacotherapy Management Consult (PMC) and process has been rolled out to several facilities. By the end of December, CPOS has presented Pharmacotherapy Management Consults (PMC) to Medical leadership at CCWF, CVSP, MCSP, COR, SATF and SAC. Pharmacy data is also being used to support the Medication Efficiency and Quality Improvement (MEQI) initiative that has targeted several goals related to pharmacy utilization including a reduction in non-formulary medications to three percent or less of total prescriptions, including over-the-counter (OTC) items; a reduction in average pharmacy costs per patient-inmate of at least ten percent; and a ten percent reduction in the average number of prescriptions per patient-inmate.

Status: Ongoing. As of the end of December, 29 of 33 facilities were capturing data in the GuardianRx operating system. Requires conversion to GuardianRx at the remaining four facilities; currently scheduled for completion by the end of April 2010.

B3. Develop and implement effective and enforceable peer-reviewed treatment protocols.

The P&T Committee has worked diligently to develop, review and approve disease medication management guidelines for some of the most common and most complex disease states found in the CDCR population. To date, the following DMMGs have been implemented:

- Hypertension and Hypertension Urgency
- Asthma (acute and chronic)
- Diabetes (type 1 and type 2)
- Hyperlipidemia
- HIV
- Seizure (acute and chronic)
- Schizophrenia
- Gastroesophageal Reflux Disease (GERD)
- Peptic Ulcer Disease (PUD)
- Chronic Obstructive Pulmonary Disease (COPD)
- Bipolar Disease
- Major Depressive Disorder
- Hepatitis C
- Migraine

During 2009, CPHCS established a multi-disciplinary guidelines committee separate from the P&T Committee. Responsibility for developing treatment guidelines has been transferred to this committee, with continued support of the pharmacy team and the P&T Committee.

Status: Completed and ongoing.

B4. Develop and implement an effective and enforceable institution audit process.

See Objective A5.

Status: Completed and ongoing.

GOAL C. *Establish a comprehensive program to review, audit and monitor pharmaceutical contracting and procurement processes to ensure cost efficiency in pharmaceutical purchases.*

C1. Monitor wholesaler (vendor) to ensure contract compliance.

Effective February 1, 2008, the Receiver, acting on behalf of CDCR, entered into a new wholesaler (also referred to as a Prime Vendor) agreement with Amerisource Bergen negotiated by Maxor and tailored specifically to address the pharmaceutical demands of the CDCR health care system. Prior audits and reviews had repeatedly documented failures in pharmacy contract management, accountability and oversight, which when coupled with other pharmacy program deficiencies translated to higher costs for medications and a system that was not responsive to the CDCR offender patient needs. As the *Road Map* implementation proceeded, it became evident that a more responsive wholesaler contract would be beneficial in achieving these goals. The resulting contract leverages CDCR's developing abilities to manage its pharmacy needs and results in a more responsive, cost-effective arrangement for CDCR.

This contract is monitored on an ongoing basis and continues to yield positive savings for CDCR over the previous arrangements.

Purchase discount resulting from this contract in 2009 is estimated at \$7.8 million. Additional discounts totaling over \$1.2 million represented lost opportunity due to payments being made beyond the twenty day pay cycle. Much of this lost opportunity amount occurred during the months when the state was experiencing significant cash flow shortages. It should also be noted that compliance has shown improvement since the start of FY 2009/10 with the assignment of a CPHCS staff member to track the invoices through facility and CDCR accounting and follows-up on them as needed.

Status: Completed and ongoing.

C2. Develop process to monitor inventory shrinkage.

Several processes are now in place to assist in monitoring medication inventories. Beginning in 2008 and continuing on a quarterly basis in 2009, a procedure was put in place to compare purchases versus dispenses to identify potential diversions or misuse for all GuardianRx sites. PICs at each facility have received training on the use of this report for monitoring inventories. An additional tool, the Cycle Inventory Report, is produced via the Maxor Reports function added to GuardianRx. This report provides a list of items which need to be inventoried based on a pre-

determined time cycle (Future 7 days, 30 days, Monthly) which can vary by drug. These cycle counts ensure an ongoing review of inventory and are instrumental in preparing for the transition to a Central Fill model in the coming months.

Additionally, the Clinic Issue Program (another bolt-on application to GuardianRx) provides tracking of narcotics inventory and other floor stock. A Lost Medication Tracking System was also established to monitor lost medication numbers and to provide data for quality improvement processes and reviews.

Status: Ongoing. Completion of the initial objective requires all facilities to be on the GuardianRx system, currently scheduled for the end of April 2010. Additionally, as the Central Fill Pharmacy comes online, additional inventory controls will become available. However, it should also be noted that completely closing the inventory accountability loop requires the deployment an eMAR that tracks medication inventory all the way to administration to a patient. During 2009, due to budget considerations and the need to prioritize limited resources, the selection and deployment of an eMAR was delayed by CPHCS for a two year period.

C3. Implement a process to insure that the best value contracted item is used.

Each purchase is actively monitored to ensure it is the best relative value. As the pharmacy operating system (GuardianRx®) comes online at each facility, this monitoring moves to a real-time basis.

Maxor continues to work with the Wholesaler to meet CDCR's volume demands for stocking the appropriate contracted items in their regional distribution centers. Under the terms of the CDCR Wholesaler contract, the lowest price available to CDCR must be charged regardless of whether the lowest price is the wholesaler's price, the Group Purchasing Organization price or a targeted contract price. Maxor's Supply staff monitor wholesaler pricing and inventories on a continuous basis and work with the wholesaler to ensure the best priced items were sufficiently stocked at the regional distribution centers, thereby maximizing the opportunity for savings. After the distribution center has the cheaper equivalent item stocked, Maxor Supply notifies the facilities and then monitors the purchases.

In addition, a procedure was established and implemented to provide all facility pharmacists-in-charge with a periodic list indicating medications they should have procured under contract in lieu of more expensive comparable items that were purchased. Purchases are reviewed and when

purchased items are identified that could have been purchased more cost effectively, a report is generated for the facility and the facility is instructed on the more cost effective process. Cost avoidance is calculated taking the per unit dollar difference between the price paid and the price for the generic equivalent and multiplying that number by the quantity. Reports are then sent out to the facilities to inform them about these opportunities for savings. As facilities begin to purchase the cheaper equivalent, savings are calculated from when they begin buying these cheaper items.

During CY 2009, approximately \$3.2 million in cost avoidance due to supply interventions was recorded.

Status: Completed and ongoing.

C4. Consolidate and standardize pharmacy purchasing through development of a centralized procurement system.

Maxor assumed responsibility for coordinating pharmacy purchasing activities at the request of the Receiver during April of 2007. As discussed earlier in this report, significant progress has been made in the overall contracting and purchasing objective, resulting in more than \$48.4 million in cost avoidance in 2009 when compared to prior trends. Targeted drug contract purchases account for more than \$20.3 million of these savings. All wholesaler purchases are monitored by Maxor and opportunities for continued savings, more effective purchasing practices and related improvements continue to be identified and pursued. Total wholesaler drug purchases in 2009 totaled approximately \$189M and were up only 2.0% from the prior year. This slight increase is significantly lower than prior year increases and lower than overall drug cost inflation. This occurred while simultaneously showing an increase in access to care as evidenced by increased numbers of patients receiving medication. Of particular note, there were significant increases in both HIV and HCV drug therapy provided.

The GuardianRx operating system serves as a centralized procurement oversight tool providing enterprise wide visibility and monitoring of purchasing activities. Implementation of the Central Fill Pharmacy will allow for consolidation of ordering for the majority of drugs.

Status: Ongoing.

C5. Evaluate feasibility of achieving 340 B preferential pricing on all drug purchases.

A review of 340B pricing feasibility was prepared and presented to the Receiver by the Heinz Family Foundation. The Foundation provides assistance and expertise in conducting such reviews. The study examined the feasibility of achieving cost savings through the utilization of 340B pricing to mitigate the costs for prescription drugs by the CDCR and quantified the potential cost savings for California taxpayers resulting from access to 340B pricing by the CDCR. The study also identified potential barriers associated with implementing such a strategy and outlined initial steps necessary for establishing a 340B Drug Discount Program. The report included a mapping analysis showing the number of potential 340B entities in proximity to CDCR facilities. Continued discussions are necessary to identify potential eligible entities willing to partner with the State and establish the contractual and provider relationships to CDCR patients that are required to establish eligibility.

Status: Completed, pending further direction.

GOAL D. *Develop a meaningful pharmacy human resource program that effectively manages staffing, compensation, job descriptions, competency, performance assessment, discipline, training, and use of the workforce including temporary employees and non-pharmacist staff.*

D1. Hire and train new employees as needed to replace registry personnel.

In 2008, a staffing model for the pre-centralization period was developed and approved. Quarterly assessments have been made to review staffing against this model and the latest workload data. During 2008, the CPHCS and Maxor worked collaboratively to establish a statewide centralized hiring process for pharmacist positions. This effort has resulted in an improved ability to fill vacant positions.

During much of 2009, extensive discussions were held relating to the development of a post Central Fill staffing model. Numerous alternatives were reviewed and evaluated. In late 2009, approval of a post CFP staffing model was received. One goal of implementing the CFP is to reduce the use of registry staff to the extent possible. By shifting much of the workload to the CFP, facility level staffing may be reduced, thereby reducing the need to hire registry staff.

During December 2009, the signature authority for PIC and Pharmacist I positions was transferred to the CPHCS Chief of Pharmacy Services (A). The Maxor team continues to support the hiring process with administrative assistance, interviews, and subject matter expertise.

Status: Ongoing.

D2. Complete skill set inventory of State and registry employees and provide required training, performance measures, and disciplinary measures as needed for existing personnel.

During 2009, use of the web-based training software program (*MC Strategies*) continued for deployment of key educational and operational training modules to CDCR pharmacy staff. The product allows competency assessments, report cards and training verification to be maintained electronically. To date, the training program includes lessons on policy and procedure updates, therapeutic interchange programs and disease medication management guidelines. Additional training methods being utilized include quarterly PIC meetings and in-service to pharmacy staff in facilities where Clinical Pharmacy Specialists are assigned.

During 2009, budgetary considerations impacted the training programs primarily through restrictions on travel. These restrictions required many in-service opportunities to be conducted via telephone and web conferencing, rather than in person. In addition, a decision was made, based on budget, to allow the MC Strategies service to lapse at the end of the current contract period. The responsibilities for promulgating training will be transferred to the CPHCS training resources. Pharmacy administration staff will continue to develop training materials.

Status: Completed and ongoing.

D3. Develop effective means of documenting and tracking employee training, education, performance, and disciplinary action.

A roster of all pharmacy employees was downloaded to *MC Strategies* as well as staffing levels and position descriptions (CDCR, Registry, Vacant). Utilizing *MC Strategies* for training allows the tracking of employee progress in completing training material. As discussed above, the training responsibilities will be transitioned in early 2010.

A recurring monthly report of employee staffing levels from facilities has been implemented. The information is used to track and assess staffing levels and service needs at the facility level on a regular basis. The system allows pharmacy administration to identify vacancies to be filled as well as provide a tracking mechanism for employee related activities.

Status: Completed and ongoing.

D4. Reevaluate previous staffing patterns at each institution in light of the adoption of new technologies to improve efficiency and the transition of volume to the centralized pharmacy.

Quarterly staffing model assessments of pharmacy staffing needs within individual institutions were completed throughout the year. A revised and CPHCS approved pharmacy staffing plan was put in place in the spring of 2008. Prescription volume and staffing levels continue to be routinely monitored and compared to operational methods to ensure adequate staffing patterns. Inadequacies are identified and recommendations are sent to the Receiver accordingly. Pharmacy hours of operation have been evaluated and changed at several facilities to address service needs, manpower shortages and in preparation for centralization.

As noted earlier, during much of 2009, extensive discussions were held relating to the development of a post Central Fill staffing model. Numerous alternatives were reviewed and evaluated. In late 2009, approval of a post CFP staffing model was received. As the CFP is implemented, the staffing model will continue to be assessed and refined in conjunction with CPHCS leadership.

Status: Ongoing.

GOAL E. *Redesign and standardize overall institution level pharmacy drug distribution operations for inpatient and outpatient needs. Design, construct and operate a centralized pharmacy facility.*

E1. Prior to centralization, implement standardized operations in all existing institution level operations to correct problems identified in audits.

Much of the effort in 2008 and 2009 related to work required to standardize institutional operations in preparation for GuardianRx[®] implementation and centralization. Standardized policy and procedure implementation is monitored and tracked monthly.

Pharmacy was also tasked by the Office of the Receiver to integrate pharmacy services for the Department of Mental Health (DMH) – CDCR patients. This continuity of care plan was agreed to by the State, *Plata* Representatives and the *Coleman* Expert. Pharmacy administration has worked with DMH and CDCR facilities on the transition of DMH pharmacy services at CMF/VPP and SVSP/SVPP to CDCR and to standardize operations with the *Roadmap* model. During 2009, SVSP/SVPP was converted to GuardianRx.

Status: Ongoing. To be completed with final GuardianRx conversions.

E2. Design, construct and operate a centralized pharmacy facility.

Throughout much of 2009, significant work was conducted relating to the construction of the new Central Fill Pharmacy Facility. It should be noted that the schedule for opening of the facility was delayed due to a variety of factors including the need for completion of the GuardianRx® conversions and delays in negotiating the final site lease.

After working with DGS, a site location was approved by the Receiver and a facility lease was negotiated and approved. Facility build out specifications and design was coordinated with DGS space planners. Initial construction and renovation activities took place and were nearing completion by the end of 2009, with completion scheduled by February 2010.

Concurrently, work was completed to address automation needs for the Central Fill Pharmacy facility. Following an RFP process in late 2008, contract negotiations with the selected automation vendor were conducted and a finalized contract was approved in January 2009. Automation design activities were initiated and coordination with pharmacy and CPHCS staff, as well as coordination with the construction/renovation activities took place. Initial system layout and design requirements were provided to ensure the renovations included the necessary space, utilities and specifications for the automation equipment. A comprehensive user requirements document was developed, reviewed and refined. Initial equipment and material orders were made, data interfaces were defined and final design specifications determined. Schedules for final factory acceptance testing, onsite installation and testing and final acceptance testing were established.

Work also began on the many preparation activities related to the transition to CFP including coordination with human resources and finance on staffing needs. An implementation schedule and strategy was prepared for final review and approval by CPHCS leadership.

Status: Ongoing. The CFP is scheduled for opening in May 2010, starting with a pilot facility (SAC) and a second pilot facility (MCSP) in June. Beginning in July 2010, two facilities per month will be converted to the CFP.

GOAL F. *Based on a thorough understanding of redesigned work processes, design and implement a uniform pharmacy information management system needed to successfully operate and maintain the CDCR pharmacy operation in a safe, effective and cost efficient way.*

F1. Develop and implement improved reporting and monitoring capabilities with existing pharmacy system.

During 2007, a repository of prescription data from the existing PPTS system was designed for more consistent data accumulation and reporting. Use of this interim solution continued in 2008 and 2009 as the process of converting to GuardianRx® continued. More importantly though, throughout 2009, the number of facilities now using the GuardianRx® system has increased significantly allowing more timely and accurate pharmacy management data than ever before. Reporting and monitoring of purchasing, workload and utilization is greatly enhanced for those 29 facilities on GuardianRx® by the end of 2009. In addition to the routine reporting capabilities in GuardianRx®, new clinical and managed care reports were developed and are now routinely produced on a monthly basis for facilities using the new operating system. These reports include system-wide, facility level and provider level report cards.

Status: Ongoing, in conjunction with the final GuardianRx® conversions scheduled for April 2010.

F2. Identify and propose solutions to connectivity issues throughout all pharmacies to ensure that web-based software, reporting, and data can be easily accessed at each facility.

A joint Maxor-CPHCS IT team continued throughout 2009 to address connectivity issues through GuardianRx® implementation. Revised CPHCS IT security and login access procedures were implemented in 2009.

Status: Ongoing. Completion with final conversions scheduled by April 2010.

F3. Procure a state-of-the-art pharmacy dispensing system.

GuardianRx[®] a pharmacy system used extensively by Maxor in other projects nationwide, was chosen by the Receiver in 2007 as a pharmacy management system. As noted earlier in this report, Implementation of the system has been a major focus in 2009, with 29 of the 33 facilities using the new system by the end of 2009. Additionally, numerous bolt-on applications have been developed to provide needed capabilities for managing the pharmacy related processes within the CDCR system (e.g., prescription imaging, return-to-stock tracking, clinic issue, clinical authorize, etc.).

As a part of the revised budget reducing the Maxor contract amount for FY 2009/10, a pass through payment was established for maintenance of the basic GuardianRx software component with Carepoint (the owner company for the software). Under the agreement, The Carepoint pass-thru costs are for the maintenance fees associated with GuardianRx. These costs are direct costs from Carepoint charged to Maxor for the CDCR use of the product. In exchange, Carepoint has agreed to provide CDCR with licensing for the software at no additional cost beyond the ongoing maintenance fees once Maxor completes our work.

As noted during the EAW process in the fall of 2009, additional licensing consideration will be required for the continuation of the bolt-on applications developed by Maxor once our contract concludes.

Status: Ongoing.

F4. Transition each institution to uniform pharmacy information management system.

The GuardianRx[®] implementation process continues to be an intensive joint effort between CPHCS, facility and Maxor teams involving operational, nursing, pharmacy and information technology staff. A comprehensive assessment process is employed to review the current pharmacy and nursing medication delivery processes, perform a gap analysis, and take actions to correct the identified gaps before implementation. Prior to implementation, a complete inventory is done at each location. Data migration begins several weeks prior to GuardianRx[®] go-live at each site. A “train the trainer” program has been developed to begin group training of key facility staff well in advance of GuardianRx[®] implementation so that work flow, process gaps and training move toward resolution prior to Maxor on-site pre-implementation activities. Standardized service and problem measures are implemented to monitor

GuardianRx® implementation as well as monitor the post-implementation period.

As of December 2009, the GuardianRx® pharmacy operating system has been implemented in 29 of the 33 CDCR institutions. Only SCC, RJD, SOL, and CMF remain, with completion scheduled by April 2010.

Additionally, throughout 2009, operations teams have returned to facilities that have already implemented GuardianRx® in order to assess their status, provide supplemental operational oversight and training and to upgrade the facilities with new system functionality.

Status: Ongoing; completion expected by the end of April 2010.

F5. Develop and implement reporting tools to facilitate clinical, operational, and fiscal management of the CDCR pharmacy operation.

With the increased availability of GuardianRx data, reporting tools have evolved to permit the collection and analysis of detailed utilization and workload data to assist in the clinical, operational, and fiscal management of the pharmacy services function. In addition, purchasing data from the wholesaler, and population data from CDCR are collected centrally and have been used to develop needed reporting tools. The Pharmacy Dashboard provides both system and facility specific indicators that are reported monthly, along with the facility inspection results, to the CPHCS leadership, P&T Committee, and facility healthcare management. Data from the reporting system is also accessed to provide P&T category utilization data for formulary decisions. As discussed under objective F.1 above, new clinical and managed care reports are now routinely produced for facilities using the new operating system.

Status: Ongoing.

F6. Integrate pharmacy information management system with auxiliary technologies such as central supply management, physician order entry, electronic MAR, and barcode checking.

The process of integrating auxiliary technologies can begin once the pharmacy operating system is fully implemented, the extended health care network is operational at all facilities and the centralized pharmacy is operational. The central fill pharmacy automation design now under construction incorporates central inventory management and utilizes barcode technologies for safety checks and increased efficiency in production and distribution.

While discussions were initiated in 2008 related to the needs and requirements for integration of an electronic medication administration record, budgetary considerations and the need to prioritize other aspects of the health information system have delayed this initiative for a period estimated to be two years. At this time, there are no known plans to incorporate physician order entry into the pharmacy information system.

Status: Ongoing.

GOAL G. *Develop a process to assure CDCR pharmacy meets accreditation standards of the designated healthcare review body (NCCHC or ACA) and assist in obtaining accredited status.*

There was limited action during 2009 related to this goal. Accreditation is attainable only after completion of other goals and related improvements in other health care areas. However, pharmacy practices, policies and procedures are being designed to comply with national accreditation standards as well as applicable licensure requirements.

Work was initiated by CDCR to consider NCCHC accreditation for mental health services. A CDCR Pharmacy Services Manager was selected to participate in the inter-disciplinary committee tasked to examine accreditation.

Key Challenges Going into 2010

At the outset of the CDCR pharmacy services improvement effort, a number of potential challenges to the success of the effort were identified. Among those were a resistance to change, bureaucratic inertia, competency of CDCR staff, infrastructure needs, overcrowding and staff recruitment. Over the course of our work, the impact of many of these challenges has lessened as the changes underway through the Receivership have taken hold. While lessened to a large degree, Maxor anticipates that these issues will continue to be factors as the project moves forward. However, the key challenges we have identified for the 2010 year include managing the transition to the Central Fill Pharmacy; maintaining progress and momentum while operating within the budget challenges faced by the state; and preparing for the transition of pharmacy management back to CPHCS/CDCR.

Implementation of Central Fill Model

Moving from the current decentralized pharmacy distribution model to a centralized system presents a significant challenge. The Central Fill Pharmacy project entails the construction and equipping of a centralized prescription packaging and automated distribution system. The automated centralized pharmacy is essential to gain advantages of scale related to efficient purchasing, inventory control, volume production, drug distribution, workforce utilization, and increased patient safety.

Once fully implemented, the centralized pharmacy will assume the majority of the drug distribution functions for all CDCR facilities, with the exception of immediate needs fill, and such items as medications requiring refrigeration and intravenous solutions. The CFP will order bulk pharmaceuticals to be delivered to the CFP thereby consolidating drug purchasing, decreasing system-wide inventory and the current need to maintain duplicative inventories at each facility. CFP automation will be used to package bulk pharmaceuticals into blister packs; fulfill prescription and stock orders for all CDCR correctional facilities; label medications as required to meet state and federal prescription requirements; provide bar-code validation matching the drug to the specific prescription; and to sort the completed orders for shipping and next-day delivery to the facilities.

To ensure that we achieve these advantages a carefully constructed implementation methodology must be employed that rolls out the CFP model to the CDCR facilities on an incremental basis. Implementation requires a transition of much of the prescription workload from individual institutions to the CFP, realignment of duties for pharmacy staff, modifications to some medication management processes, and extensive training activities related to the new processes. Implementation will also result in the transfer of some institution-level staff to the CFP and an overall reduction in the number of pharmacy staff from current levels. Significant risks to implementation include the need to manage potential disengagement or loss of staff, the potential for inventory duplication

and/or losses, and the need for training in new or revised processes related to the CFP implementation.

To manage these challenges, a comprehensive implementation strategy has been approved by CPHCS leadership. The strategy entails a methodical, guided process supported by the Project Management Office, Healthcare IT Initiative Team, Maxor, CPHCS Operations and Allied Health in a manner that incorporates the learning and efficiencies gained from the GuardianRx statewide implementations. The plan calls for:

- pre go-live assessments;
- full support for local multi-disciplinary teams involved in the implementation process;
- two weeks of pre go-live meetings and workflow process modifications;
- two weeks of onsite go-live support; and
- implementation of two facilities per month (following field testing).

Additionally, this effort will require an extensive training effort and thoughtful ramp up of activities at the Central Fill Pharmacy. Newly assigned staff will need to be trained and achieve competency in using the packaging and automation systems. Sufficient prepackaged stock must be prepared and available to support the addition of new facilities as they are implemented.

These challenges are manageable, but will require continuous oversight, dedicated resources and constant monitoring throughout the process. All involved should also expect that adjustments and changes will be required along the way.

Maintaining Momentum in Times of Budget Restrictions

As the Receiver has noted in his Tri-Annual reports, the state is facing unprecedented budget shortfalls. Issues related to the state's budget situation are anticipated to continue to present challenges as the agency works through employee furloughs, spending and travel restrictions, and potential layoff concerns. These concerns often have both direct and indirect impacts on projects. Reduced availability of staff, whether due to furloughs, hiring restrictions or layoffs directly impact the ability to provide service. Indirectly, these same sorts of restrictions impact staff training, the ability to provide onsite support and related activities. At the same time, management attention and time is often, of necessity, redirected to focus upon managing and responding to the budgetary issues; leaving less time for direct oversight and strategic planning. These challenges all present the risk of a loss of momentum as project schedules slow down and visible progress takes longer to see. Such issues also present staff morale concerns.

Maintaining momentum under such conditions represents a challenge requiring managers to prioritize key activities, concentrate on core services and employ innovative means of keeping staff engaged and focused upon the pharmacy services goals and objectives.

Preparing for Transition

From the outset of the pharmacy services improvement project, the goal has been to develop and firmly establish a pharmacy program that is sustainable by CDCR once Maxor's management team disengages. As the project enters into this next year, it is clear that transition planning and activities should begin as we continue to work toward completion of the project goals and objectives. Some initial steps to establish the necessary management structure to assume responsibility for managing the pharmacy services program have already been initiated. In December, two CDCR Pharmacy Services Managers were appointed by CPHCS to serve as Acting Chiefs of Pharmacy; one to oversee operations and one to oversee the Central Fill Pharmacy. Maxor will work closely with these managers and other CPHCS leadership in the coming months to define transition responsibilities and schedules.

In the meantime, we must continue to support the pharmacy services program and the improvement initiatives currently underway. There is still much work to be accomplished. Four facilities remain to be converted to GuardianRx, completing that process. Subsequently, the GuardianRx implementation resources will turn their attention to rolling out Central Fill over the following 18 months. Several medication utilization management efforts are in their infancy and will need continued attention and guidance. Policies and procedure reviews, P&T Committee support, reports management, pharmacy coordination with other health care system change initiatives and numerous other daily management activities are required on an ongoing basis.

Transition planning will require determination of the "post-Maxor" management structure and resources; provisions for the orderly transfer of management responsibilities and duties; consideration of ongoing information technology support (GuardianRx and Maxor bolt-on Pharmacy Applications); and staff transition processes. Transition plans must address how operational oversight, clinical pharmacy expertise, strategic planning, technology support, data collection and analysis and pharmacy purchasing management will be provided. A timeline that provides for both the completion of ongoing Roadmap goals and objectives and an orderly transition will need to be developed. The goal of all such planning will be to equip the CDCR management with the tools and expertise required to sustain a viable, effective and efficient pharmacy services program.

Conclusion

As this report demonstrates, the documented progress in 2009 towards achieving the *Roadmap* goals has been significant. The goals and objectives envisioned by the *Plata* court and the Receiver are moving forward in a deliberate manner. With continued support from the CPHCS, Maxor remains committed to achieving a CDCR pharmacy services program that is safer, sustainable, effective, outcome driven, responsive to change and efficient.