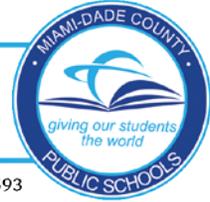




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To: Alberto Carvalho, Superintendent  
Miami-Dade County Public Schools

From: Mary T. Cagle, Inspector General

Date: June 27, 2014

Subject: Audit Follow-up of the M-DCPS Workers' Compensation Pharmaceutical  
Benefits Program; IG Ref. SB 1213-1002

This memorandum serves to inform you of our completion of an audit follow-up of the pharmaceutical benefits program pursuant to the current agreement for the third-party administration of the Miami-Dade County Public Schools (M-DCPS) workers' compensation program. As you may recall, in 2009, the OIG conducted an extensive audit of the M-DCPS workers' compensation program.<sup>1</sup> Some of the issues discussed in that report involved the pharmaceutical benefits program's lack of contract standards to track the third-party administrator's performance; the lack of a process to direct injured workers to the approved pharmaceutical benefits program; and the third-party administrator's inability to manage service providers and deter them from issuing prescriptions in the form of repackaged drugs.

As a result of that audit, M-DCPS issued a Request for Proposal resulting in a competitive process whereby the current contract for third-party administration services was awarded to the incumbent provider, Gallagher Bassett Services, Inc. The current agreement became effective July 1, 2010, and was for an initial three-year period and provided for two additional one-year periods. The M-DCPS Board has extended the current agreement for the two additional one-year periods, and the current agreement will expire on June 30, 2015.

This audit follow-up was predicated on an inquiry from the federal inspector general community relating to our audit's findings on the pharmaceutical benefits program and, more specifically, the rampant utilization of third-party prescription packagers. Due to the interest in our results, we determined that an audit follow-up specific to this issue was warranted.

The objectives of this audit follow-up were to assess whether M-DCPS has implemented the recommendations made in the 2009 OIG audit report related to the

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<sup>1</sup> See the following link: <http://www.miamidadeig.org/MDCPSbefore2010/wcAudit.pdf>

pharmaceutical benefits program, and to assess the third-party administrator's adherence to contract requirements regarding pharmaceutical benefits program management services.

In December 2012, the OIG contacted the M-DCPS Risk and Benefits Officer regarding this audit follow-up. Additionally, the OIG contacted the third-party administrator in order to obtain information and data necessary to conduct our audit testing. Moreover, during the course of our audit follow-up, a change in Florida Statutes took effect; this change imposed price controls on entities re-packaging and selling pharmaceuticals, which should provide savings to M-DCPS in the future.

The OIG reviewed documents and reports provided by both the Risk and Benefits Officer, as well as documentation provided by the third-party administrator. The OIG selected a sample consisting of 30 injured workers, with various dates of injury and who obtained at least one or more prescriptions during the current contract period. We reviewed injured worker files to determine if the pharmaceuticals were processed through the third-party administrator's pharmacy benefits provider, which represents a savings to M-DCPS. Additionally, the OIG reviewed the third-party administrator adjuster's notes to see if, and when adjusters counseled injured workers and if they attempted to educate the injured workers about M-DCPS' pharmaceutical benefits program.

Fieldwork also consisted of analyzing reports to determine amounts paid for pharmaceuticals and to which vendors. Finally, we reviewed petitions filed with the State of Florida by pharmaceutical re-packagers to recoup monies from M-DCPS that they believed were improperly taken from them by M-DCPS to determine any potential liabilities M-DCPS could face in the future. The re-packagers had filed these petitions because M-DCPS had unilaterally reduced their invoiced prices to lesser amounts.

We observed that the M-DCPS Office of Risk and Benefits Management entered into an agreement with the pharmaceutical re-packager that filed the most petitions with the State of Florida. This agreement resolved all of this re-packager's outstanding claims, as well as provided for reduced cost pharmaceuticals that will be supplied to M-DCPS injured workers in the future. The remaining outstanding petitions represent a minimal potential liability to M-DCPS in the future.

We noted that all of the previous eight recommendations related to the M-DCPS pharmaceutical benefits program have either been implemented or are currently in the process of being implemented in some form. In addition, we noted that the M-DCPS Office of Risk and Benefits Management took proactive steps, such as re-pricing pharmaceuticals (leading to the above-mentioned petitions), and entering into agreements with entities that re-package and sell pharmaceuticals for lower rates. These proactive measures reduced the amount of money M-DCPS has spent on pharmaceuticals, since the inception of the current agreement.

Moreover, out of the 30 injured workers included in our sample, adjuster notes show that third-party administrator adjusters counseled 13 of them. This is a substantial improvement over our 2009 audit results, which showed no counseling of injured workers was being done by third-party administrator adjusters. Additionally, we observed positive trends, such as injured workers obtaining a greater percentage of their pharmaceuticals through the third-party administrator's pharmaceutical benefits program resulting in savings for M-DCPS. This trend was evidenced by the amount of pharmaceuticals being processed by the pharmacy benefits manager increasing from the 33% noted in our prior audit, to 45% noted this time.<sup>2</sup>

On June 20, 2014, OIG Auditors conducted an exit conference with the Risk and Benefits Officer and key members of his staff. At that exit conference, talking points that are summarized in this memorandum were discussed. As there are no audit findings, no audit report will be issued.

In summary, our review shows positive trends and performance has improved, as reflected by the reduced costs to individual prescriptions and higher injured work participation in the M-DCPS pharmaceutical benefits program. We note the current contract lends itself to periodic external reviews, which have provided management with useful and timely informational reports.

This concludes our audit follow-up; however, the OIG will continue its oversight efforts and will be reviewing the upcoming solicitation for third-party administrator of the workers' compensation program, as a new agreement will be issued, to be effective July 1, 2015.

If you have any questions, please feel free to contact Patra Liu, Assistant Inspector General for Audits.

cc: Hon. Perla Tabares Hantman, Chairwoman  
and Members, Miami-Dade County School Board  
Jose Montes de Oca, Chief Auditor, OMCA  
Walter Harvey, School Board Attorney  
Scott Clark, Risk and Benefits Officer

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<sup>2</sup> While a 12% increase may appear minimal, Florida Statutes allow injured workers to obtain their pharmaceuticals from any provider. As such, we find that the overall percentage of pharmaceuticals obtained through the third-party administrator's pharmaceutical benefits program to be commendable.