

COUNTY OF MILWAUKEE
Behavioral Health Division Administration
INTER-OFFICE COMMUNICATION

DATE: January 3, 2012

TO: Supervisor Lee Holloway, Chairman – Milwaukee County Board

FROM: Héctor Colón, Director, Department of Health and Human Services
Prepared by Paula Lucey, Administrator, Behavioral Health Division

SUBJECT: **An Informational Report from the Director, Health and Human Services, regarding the 2011 professional service contract with Roeschen’s Omnicare for the Behavioral Health Division**

Issue

The Director, Department of Health and Human Services (DHHS), and the Administrator, Behavioral Health Division (BHD) have been monitoring the 2011 contract for pharmacy services with Roeschen’s Omnicare. At this time it appears that the contract will exceed the 2011 authorization by over \$650,000. BHD is now reporting to the Board to brief them on the actions being taken to assess the issue and find a resolution. At this time, BHD is not requesting to increase the contract amount.

Background

In December 2010, BHD brought forward a report to establish 2011 professional service contracts with various vendors, including Roeschen’s Omnicare. Roeschen’s Omnicare provides all pharmacy services to the Behavioral Health Division, including outpatient clients. The contract amount for 2011 was recommended to be \$5,090,120, which was the same as the 2010 contract including the additional pharmaceutical costs for clients previously paid out of the Medical College outpatient purchase of service contract. Since that report was submitted, BHD has been monitoring the contract and has been reporting deficits for pharmacy in the quarterly fiscal projections.

BHD has experienced the same trends in pharmacy as many others in the health care field, including increased costs for drugs and increased utilization. In 2011, BHD has had overspending on this contract primarily in the outpatient area including the BHD Access Clinic and the Medical College of Wisconsin outpatient clinic. This has resulted in projected overspending of \$650,000 for 2011.

The pharmaceutical services contract was competitively bid in 2004, 2005, and 2008. Roeschen's Omnicare Pharmacy was the only company that responded to BHD's Request for Proposal (RFP) on all three occasions. In 2009, a two-year contract with an option for two additional one-year terms was recommended. 2012 is the second optional renewal and this service will be put out for RFP for 2013. BHD is also considering the option of bringing pharmacy services back in-house rather than using an outside vendor.

BHD is working with Cambridge Advisory Group, the Department of Audit and DHHS Contract Administration to assess the situation and will be conducting an audit, including fiscal and clinical considerations, going back three years on this contract. BHD has met with Roeschen's Omnicare and they are aware of the situation. Once the audit is complete we will return to the County Board to request additional expenditure authority if necessary. BHD is hopeful that the audit will identify some savings that will cover some or all of the 2011 overspending.

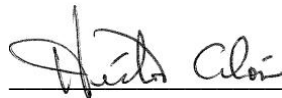
Recommendation

This is an informational report. No action is necessary.

Fiscal Effect

BHD has assumed, as part of their quarterly reports, that this contract will be overspent by \$650,000. Therefore, there will be no fiscal impact for 2011 and BHD's overall projection will not change.

BHD has submitted a fund transfer in the January cycle to reallocate funds to the pharmacy accounts to pay for this potential overspending. January 2012 is the last month a fund transfer can be submitted for 2011 therefore BHD feels it is necessary to complete this action so if an additional payment must be made the funding is there. No payment will be made to Roeschen's Omnicare above the original contract amount for 2011 without Board approval.



Héctor Colón, Director
Department of Health and Human Services

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