



**Washington County  
Auditor's Office**

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**First Follow-up Report**

**Audit of Jail Healthcare**

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Final Report  
November 19, 2015



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## I. Background

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Government officials who incarcerate inmates have a constitutional obligation to provide for their medical, psychiatric and dental care. Governments have increasingly sought to control the rising costs of corrections healthcare by contracting for healthcare services with for-profit corporations. Since 1998 Washington County had contracted with Corizon Health (formerly Prison Health Services) to provide health care for inmates of the Washington County Jail (WCJ).

A for-profit corporation's need to demonstrate that it can provide services at a lower cost than government, while realizing a profit, creates a natural tension between cost-control and healthcare objectives. As a result, strong oversight by the government is essential to ensure that the vendor complies with its contractual obligation to provide adequate care.

On November 24, 2014 the County Auditor released his report on Jail Healthcare to the Board of County Commissioners (the Board) and the public. We found that the jail healthcare contract was not administered in accordance with County guidelines and best practices, that certain terms of the contract did not adequately protect County interests, and that cost controls could be improved. We made 27 recommendations to improve contract administration, strengthen cost controls and reduce budget overruns.<sup>1</sup> The County Administrator agreed with all 27 of those recommendations and expected to implement all but one by August 2015.

On the same day that the audit report was released, the County issued its Request for Proposals (RFP) for Inmate Health Care. On May 1, 2015 the County entered into a contract with a new health care provider (HCP), NaphCare, to begin providing healthcare services in the Washington County Jail on June 1, 2015.

## II. Summary of Findings

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This is our first follow-up report on the Jail Healthcare Audit. We found that eight of the 27 recommendations addressed in this report had been Fully Implemented. Two were Not Implemented. Implementation of sixteen recommendations remains In Process. One recommendation is On Hold.

Since a new contract was already in place, we had expected to close all of the recommendations directed at the RFP/contracting process. However, we found that the contract failed to implement certain recommendations relating to minimum staffing, time reporting, and remedies for understaffing. Because the County Administrator plans to amend the contract to fully implement those recommendations, we

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<sup>1</sup> Three more recommendations, addressing other issues, were closed when the report was released, two as Fully Implemented and one as Not Implemented. Those recommendations are not included in this follow-up report.

have elected to treat them as In Process, rather than closing them as Not Implemented. Failure to promptly remedy these defects in the contract continues to expose the County to significant risks.

The County Administrator also reported that full implementation of recommendations to improve contract administration had been delayed due to the change in HCP. Implementation of most of those recommendations remains In Process. Failure to promptly implement a comprehensive contract monitoring program continues to expose the County to significant risks.

The joint response of the County Administrator and the Sheriff is attached at the end of the report.

### III. Status of Audit Recommendations

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1. *The contract administrator should implement a risk-based contract monitoring plan for the jail healthcare contract. The plan should include key contract requirements and performance measures, procedures for comparing those measures with actual performance, and procedures for corrective action.*

**Current Status - In Process.** A contract monitoring plan has been developed, but not yet fully implemented. Planned implementation date: December 31, 2016.

2. *The County should assign responsibility for ensuring the quality of jail healthcare to a qualified medical professional independent of the vendor, such as the County Health Officer. Policies and procedures for jail healthcare should be subject to approval by the County's qualified medical professional and the Sheriff.*

**Current Status - In Process.** The County Administrator reported that the Director of Health and Human Services (HHS) had been assigned as the County's qualified medical professional (QMP). However, the responsibilities of the QMP had not yet been documented, and the QMP had not yet approved policies and procedures for jail healthcare. The county has decided that there are significant liability risks to having any county officer or employee approve the policies of an independent contractor. Planned implementation date: July 1, 2016.

3. *The County should require the contractor to implement a quality assurance program. The program should continuously evaluate healthcare provided to inmates both on-site and off-site for quality appropriateness and continuity of care. The program should include evaluating compliance with policies and procedures.*

**Current Status - In Process.** The contract with the HCP requires the contractor to implement a robust quality assurance program. The County Administrator reported that the new HCP had not yet submitted its quality assurance program. Planned implementation date: July 1, 2016.

4. *The County should require that the contractor's quality assurance program be approved by the County's qualified medical professional.*

**Current Status - In Process.** The contract does not require that the HCP's quality assurance program be approved by the County's qualified medical professional, although the County Administrator reported that the HCP understands that this is required. The County Administrator reported that the new HCP had not yet submitted its quality assurance program for review and approval. Planned implementation date: July 1, 2016.

5. *Results of the contractor's quality assurance monitoring should be documented and reported regularly to the County's qualified medical professional, the Medical Audit Committee (MAC) and the Jail Commander.*

**Current Status - In Process.** The County Administrator reported that the new HCP had not yet submitted any results of its quality assurance program monitoring. Planned implementation date: July 1, 2016.

6. *The County should validate the results of the vendor's quality assurance process by periodically auditing cases randomly selected from the pool of cases reviewed by the vendor.*

**Current Status - In Process.** The County Administrator reported that the new HCP had not yet submitted any results from its quality assurance program. Planned implementation date: July 1, 2016.

7. *The County should engage a jail healthcare consultant, independent of the healthcare contractor, to develop minimum staffing requirements for the WCJ.*

**Final Status - Not Implemented.** The County did not engage a jail healthcare consultant, independent of the healthcare contractor, to develop minimum staffing requirements for the WCJ.

8. *The contract administrator should monitor and enforce compliance with minimum staffing requirements.*

**Current Status - In Process.** The County Administrator reported that the Contract Administrator will monitor and enforce compliance with the minimum staffing requirements proposed by the HCP, including by positions, by day, by shift staffing proposed for direct healthcare staff. The County Administrator reported that the HCP had not yet provided staffing reports to support monitoring at that level. Planned implementation date: July 1, 2016.

9. *The contract administrator should require the contractor to report staffing at the same level of detail as staffing requirements specified in the contract.*

**Current Status - In Process.** The County Administrator reported that the HCP is developing reports that will detail hours by position, by day, by shift. Planned implementation date: July 1, 2016.

10. *The contract administrator should require the vendor to provide evidence of its compliance with Oregon medical practice requirements.*

**Current Status - In Process.** The County Administrator reported that the new HCP is developing reports that will fully implement this recommendation. Planned implementation date: July 1, 2016.

11. *The contract administrator should monitor contractor performance and enforce compliance with contract provisions related to the Secure Release Program.<sup>2</sup>*

**Current Status - In Process.** The County Administrator reported that the new HCP is developing reports that will support monitoring the discharge planning process. Planned implementation date: September 1, 2016.

12. *The contract administrator should negotiate appropriate reductions in the contract fee in connection with any reductions in the scope of work.*

**Current Status - In Process.** The contract appears to have reduced the scope of work specified in the RFP and the HCP's response. The County Administrator reported that was not the intent and the County will pursue an amendment to the contract to clarify the approved staffing plan and basis for payment. Planned implementation date: July 1, 2016

13. *The contract administrator should process a contract amendment whenever the scope of work is changed.*

**Current Status - On Hold.** No changes to the scope of work specified in the contract have yet been made.

14. *The contract administrator should monitor and enforce compliance with provisions of the County's Standard Terms and Conditions included in the jail healthcare contract.*

**Current Status - In Process.** The County Administrator reported that the Contract Administrator has developed a plan that includes monitoring compliance with Terms and Conditions, but has not yet fully implemented it. Planned implementation date: December 31, 2016.

15. *The County Administrator should assign responsibility for administration of the jail health care contract to a new contract administrator outside of HHS.*

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<sup>2</sup> The term Secure Release Program is no longer applicable to the current vendor and contract.

**Final Status - Fully Implemented.** The CAO had fully implemented this recommendation before we completed our audit work.

16. *Requirements for line healthcare staffing should be specified in the contract by number of hours per position, per day and per shift. Administrative and contracted positions should be specified as full-time equivalents with scheduling flexibility. The contract should make clear that specifications are minimum staffing requirements and that the contractor must provide any additional staffing necessary to meet its contract obligations without additional compensation, unless the contract fee is modified by contract amendment.*

**Current Status - In Process.** The RFP required vendors to propose a staffing plan by number of hours per position, per day and per shift, and to identify those direct service positions that must be filled at all times. NaphCare proposed minimum staffing by number of hours per position, per day and per shift, and identified those direct service positions that would be filled at all times. However, Appendix B of the contract does not specify minimum requirements for line healthcare staffing by number of hours per position, per day, and per shift. The County Administrator reported that the intent of the parties was to specify requirements for line healthcare staff by number of hours per position, per day, and per shift, and the County will pursue an amendment to the contract to clarify the staffing requirements. Planned implementation date: July 1, 2016.

17. *The County should ensure that the jail healthcare contract provides that the County has the right to monitor the contractor's compliance with National Commission on Corrections Health Care (NCCHC) standards and to require the contractor to promptly remedy any standards violations.*

**Final Status - Fully Implemented.** The contract does not explicitly address the County's right to monitor compliance with NCCHC standards. However, the contract requires the HCP to comply with NCCHC standards. The County may terminate the contract if the contractor fails to perform any of the contract provisions and fails to correct such failures within 30 days of being notified by the County.

18. *The County should clarify contract language regarding the contractor's obligation to implement a quality assurance program.*

**Final Status - Fully Implemented.** The contract requires the HCP to have a robust quality assurance program consistent with the NCCHC Medical Quality Assurance Program.

19. *The County should ensure the jail healthcare contract provides specific remedies for non-performance, including specific damages for understaffing by the contractor.*

**Current Status - In Process.** The jail healthcare contract includes specific remedies for non-performance, including penalties for understaffing by the contractor. However, those penalties do not provide a financial disincentive to understaffing since payroll savings would exceed the penalty.

The County Administrator reported that the County intends to negotiate a contract amendment that provides financial disincentives to understaffing. Planned implementation date: July 1, 2016.

- 20.** *The County should include in the jail healthcare contract a termination clause that ensures continuity of care until the vendor is replaced.*

**Final Status - Fully Implemented.** The termination provisions do not explicitly require the HCP to continue to provide care until a new HCP is in place. However, notice requirements for termination have been increased to 120 days. This should provide sufficient time for the County to select a suitable replacement HCP and ensure continuity of care.

- 21.** *The County should strengthen standard contract provisions for access to vendor records. The audit clause in the County's Standard Terms and Conditions should state clearly that it applies to performance audits as well as financial audits.*

**Final Status - Fully Implemented.** County Standard Terms and Conditions have been revised to state: "Contractor acknowledges and agrees that County and its duly authorized representatives shall have access to ... records ... pertinent to this contract for the purpose of making financial and performance audits...."

- 22.** *The County should consider entering into a full-liability contract, purchasing commercial insurance to transfer the risk of catastrophic cases, and/or enrolling uninsured inmates in health coverage through the Affordable Care Act.*

**Final Status - Fully Implemented.** The County has required the contractor to implement a process for enrolling uninsured inmates in health care coverage.

- 23.** *The County should engage a third party medical billings auditor, on a contingency fee basis, to audit hospital billings for inmate care.*

**Final Status - Not Implemented.** The County will rely on the corporate medical payment system of the HCP, which includes a review of hospital billings.

- 24.** *The County should include in the contract provisions that incent the contractor to control costs.*

**Final Status - Fully Implemented.** The contract includes a cost sharing provision under which the County and the contractor will equally bear the burden of external costs that exceed the aggregate cap or equally share the savings should external costs be less than the aggregate cap. However, the County has agreed to pay the contractor at least \$200,000 per year to cover the contractor's risk that external costs may exceed the cap.

25. *The County should ask bidders for the next jail healthcare contract to propose specific strategies for controlling emergency and inpatient hospital costs.*

**Final Status - Fully Implemented.** The RFP specifically required bidders to describe their strategies for controlling emergency and inpatient hospital costs.

26. *The County should evaluate the cost effectiveness of contracting for independent utilization review services to monitor external referrals.*

**Current Status - In Process.** The County Administrator reported that the County has not yet completed its evaluation. The County committed to complete the evaluation by June 30, 2016 in the initial response to the audit.

27. *The County should evaluate the feasibility and cost-effectiveness of implementing a program to facilitate the enrollment of eligible WCJ inmates in health coverage under the ACA.*

**Current Status - In Process.** The County has required the contractor to implement a process for enrolling uninsured inmates in health care coverage. The County Administrator reported that the County has not yet evaluated the cost-effectiveness of implementing the program or determined the scope of the program. Planned implementation date: September 1, 2016.

## IV. About this Review

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In June 2015 we initiated a follow-up review to determine whether the recommendations of our November 2014 Audit of Jail Healthcare had been implemented. We asked the County Administrator to describe any actions taken to implement the Auditor's recommendations, and to provide documentation that would support the actions taken. We reviewed the response to our request, reviewed the documentation submitted, and collected additional information as necessary to provide sufficient, appropriate evidence to conclude whether each recommendation was fully implemented.

We concluded that a recommendation had been Fully Implemented if we found that the recommended actions had been completed or that the County had adequately addressed the issues identified by the Auditor by alternative means. We concluded that a recommendation had been Partially Implemented if we found that some, but not all, actions had been completed and no further action on the recommendation was planned. We concluded that a recommendation was Not Implemented if we found that no action had been taken to implement the recommendation. We identified a recommendation as In Process if the County Administrator indicated that further action to implement a recommendation is planned. We identified a recommendation as On Hold if the conditions for implementation had not yet occurred.



We conducted this follow-up audit in accordance with generally accepted government auditing standards, except that our office has not had an external peer review performed by reviewers independent of the audit organization. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Signed:



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John Hutzler, CIA, CGAP, CCSA  
Washington County Auditor



November 18, 2015

To: John Hutzler, County Auditor

From: Robert Davis, County Administrator <sup>RDA</sup>  
Don Bohn, Assistant County Administrator <sup>DB</sup>  
Pat Garrett, Sheriff <sup>PG</sup>

Subject: Response to Auditor Follow-Up of the Jail Healthcare Audit

Washington County is collaboratively working to improve the provision, administration and monitoring of Jail healthcare services. Through the leadership and expertise of the Sheriff's Office, Health and Human Services, County Counsel, Support Services and the new vendor NaphCare, much progress is being made during a busy period of transition. Based on the complexity of the jail healthcare service model, this transition period will realistically continue through the current fiscal year as operational and contract details are discussed, problem-solved and implemented.

The process of developing an enduring, reliable and cost-effective service model is iterative and the lessons learned during this critical transition period will ultimately inform contract amendments to be finalized by July 1, 2016. Your follow-up report identified important points of clarification that will be made during this process.

In the meantime, the County has communicated with the vendor our intent to administer and actively monitor the contract consistent with the standards outlined in the County's request for proposals (RFP) process and NaphCare's response. To date, NaphCare has proven to be a responsive, capable and reliable partner.

We are collectively proud of our accomplishments and look forward to continued improvement and refinement to the jail healthcare service delivery model.