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Hospital recovers millions in deal gone bad

Jackson Memorial Hospital's oversight board voted to settle a lawsuit with Cardinal Health over a controversial contract, and also approved new rules for approving contracts.

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Jackson Memorial Hospital will recover more than \$8.6 million after approving a settlement Monday with a healthcare company accused of mismanagement and self-dealing while running Jackson's vast pharmacy, hospital officials said.

The agreement ends a 13-month tussle between the board of the Public Health Trust, which oversees the hospital, and Cardinal Health, the nationally known healthcare company whose \$3 million, no-bid contract to manage the pharmacy led to investigations by the county's Inspector General and the State Attorney's Office.

As part of those cases, a Cardinal employee even billed the county for strip-club jaunts and a fishing trip -- and was later arrested on theft and fraud charges.

In response to the controversy surrounding the Cardinal contract, the oversight board on Monday also adopted stricter purchasing and contracting rules similar to those used by Miami-Dade County government, in an effort to add more transparency and checks-and-balances.

A Miami Herald review earlier this year found that the hospital waived competitive bidding procedures in nearly half the contracts awarded over the previous two years.

' THIS IS HISTORIC '

"This is historic," board chairman Larry Handfield said of the purchasing reforms. "Ten years from now, we will still be benefiting from this."

The Cardinal pharmacy contract was an illustration of the failings of past policies: It was supposed to save the county as much as \$4 million a year. But health trust officials and an investigation by another company determined that the deal may have cost the county as much as \$15 million, said Ted Lucas, the hospital's purchasing chief.

The company miscalculated prices or quantities of drugs, under-billed patients, and hit the hospital with millions in management fees, according to a report by Maxor National Pharmacy Services Corp.

The contract also appeared to create a conflict of interest: Cardinal's pharmacy managers made recommendations to Jackson about the prices it paid for drugs -- from another Cardinal company.

Hospital officials canceled the pharmacy contract in November 2004, and withheld \$14.7 million in drugs, equipment, and outstanding bills. Cardinal denied wrongdoing and sued the health trust, demanding more than \$17 million, including interest and penalties. Hospital officials countered with their own claim, saying Cardinal cost the county more than \$15 million.

Monday's deal settles these claims. The hospital will pay Cardinal \$8 million of what it withheld, but Jackson won't have to pay \$2.4 million in interest to Cardinal. Jackson will also get another \$1.9 million in credit from another drug maker whose contract was overseen by Cardinal.

Lucas said the agreement was a good deal for the hospital, which is expected to sign a separate contract with Cardinal to provide wholesale drugs for as much as \$119 million a year.

"We can't have this standoff with this big provider," Lucas said of Cardinal, one of the three largest medical suppliers in

the country. ``We wanted to have this resolved, but we didn't want to give in, either."

Jim Mazzola, a Cardinal spokesman, said the company was glad to have the lawsuit resolved.

"We feel like this is a fair settlement," Mazzola said. ``We're very pleased with the record that we have there."

NEW RULES

Officials hope contracts like Cardinal's will receive greater scrutiny under new oversight rules approved Monday.

When the rules take effect on Feb. 1, all hospital contracts must go through the office of the new chief procurement officer -- a departure from the past, when contracts could be offered by different departments within the hospital.

"If it's all dispersed, it's hard to tell who is responsible," said Lucas, who will serve as the chief procurement officer -- a position he once held at County Hall.

COMPETITIVE BIDS

The new rules also try to encourage more competitive bidding, and allows hospital officials to ban or "debar" contractors for misbehavior.

The trust board also took time Monday to give an award to a former colleague, Andres Murai.

Murai was a proponent of Cardinal's pharmacy contract and another no-bid deal for Cardinal that was later criticized by Inspector General Chris Mazzella.

Murai, who resigned as the treasurer of the trust board in June, voted to approve Cardinal's pharmacy contract even though his company, Berna Products Corp., sold typhoid vaccine to Cardinal and other companies.