

RECEIVER'S PHARMACY CLEAN UP SHOWS PROGRESS

Two contract pharmacists charged with fraud, theft of taxpayer money and prison narcotics

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SAN JOSE, Calif. – Two contract pharmacists were arraigned today in Fresno County Superior Court on charges that they embezzled approximately \$1 million from the State of California in connection with their conduct while working at Pleasant Valley State Prison (PVSP) in Coalinga.

The action results from collaboration by the Receiver's office, the California Department of Corrections and Rehabilitation's (CDCR) Office of Internal Affairs and the State of California Franchise Tax Board.

Law enforcement was drawn in to the case after a review by Maxor National Pharmacy Services Corp., the Amarillo, TX based firm hired by federal Receiver Robert Sillen to take over pharmacy management in the state's 33 adult prisons. Maxor found billing improprieties by PVSP's contract pharmacists – Ronald Juliana, Pharmacist-in-Charge, and his wife Joyce Rutan-Juliana, Pharmacist -- including improper overtime and charging for on-call, which is not provided for in their contract.

“It's possible that behavior like this has been going on for years in the prison pharmacies, either because no one was looking, or if they were, they didn't do anything about it,” said Sillen, who was appointed by the federal court last year to oversee improvements in California's prison medical care system. “Times have changed. Thanks to the keen eyes on the Maxor team, and the diligence of CDCR's Office of Internal Affairs, there will finally be consequences for abusing the state's prison pharmacy system.”

The Receiver's office referred the information discovered by Maxor to CDCR's Office of Internal Affairs (OIA) earlier this year. Upon OIA's recommendation, the Julianas were terminated from PVSP on September 11. They were arrested November 8 after OIA conducted a search of their Coalinga and Fair Oaks homes. The search, for bookkeeping documents and other paperwork in connection with the fraud allegations, also resulted in the seizure of more than 30,000 prescription drugs, including narcotics, and other controlled substances. At the Coalinga home, four bags of medication were found with “PVSP Pharmacy” labels affixed to them. Today the Fresno County District Attorney charged the Julianas with 18 felonies, including grand theft, perjury, burglary, unlawful

possession of a controlled substance, sale of a controlled substance and failure to file income tax.

“Maxor is doing a great job fixing the broken prison pharmacy system,” said Sillen. “For years, individual pharmacists have operated without oversight. The result is a system where unethical and illegal behavior can flourish. Those days are over. We are working hard to root out the bad actors, save the taxpayers’ money and improve patient care system wide.”

Last year, Sillen commissioned Maxor to perform an analysis of California’s prison pharmacies. The June 2006 report found a chaotic, dangerous and wasteful system that operated without a centralized formulary or clinical policies, without controls on inventory and purchasing and with no accountability for local prison pharmacy operations. In addition, below-market salaries for pharmacy staff had resulted in a 42 percent vacancy rate for pharmacists statewide, leading to an over-reliance on costly contractors. Maxor estimated that California’s prison pharmacies cost the state taxpayers \$46 to \$80 million more than comparable systems.

Maxor’s findings confirmed those of multiple reviews and audits over the past six years by CDCR, the Legislature, the Office of the Inspector General, the State Auditor and other oversight and control agencies. However, before the Receiver initiated a turnaround, no action had been taken to correct the situation.

The Receivership is the result of a 2001 class action law suit - *Plata v. Schwarzenegger* - that found the medical care in California’s prisons violates the Eighth Amendment of the U.S. Constitution, which forbids cruel and unusual punishment. U.S. District Court Judge Thelton E. Henderson appointed Sillen as Receiver in 2006 and charged him with taking over the operations of the state’s prison medical care system, in order to bring it up to constitutional muster.

Since the Receiver engaged Maxor to manage the prison pharmacy system in January 2007, the company has taken several significant steps toward creating a clinically appropriate, fiscally responsible and lawful pharmacy system. These include:

- Implementation of a standardized statewide formulary (a list of drugs approved for use in the prisons)
- Development of an inter-disciplinary, centralized Pharmacy and Therapeutics Committee that addresses policies and procedures, makes changes to the formulary and determines the appropriate pharmaceutical management of diseases
- Assumption of pharmacy negotiation and purchasing duties from the state Department of General Services
- Development of an automated patient information system, being piloted at Folsom State Prison, Mule Creek State Prison and California Men’s Colony

For more information, visit the Receiver’s web site www.cprinc.org, and read the Pharmacy materials posted in the Projects section.

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