

Response to Auditor General's Report – Management of Employee Extended Health Benefits Phase Two

Pension, Payroll & Employee Benefits
March 24, 2017

Contents

- Overview
- Responsibility framework
- Cost containment initiatives
- Management action plans

Overview

- Appreciate the AG and AG staff thoroughness and analytical methods. Will help:
 - with further internal reviews of data and
 - Design and management of 3rd party audits
- AG insights assisted in design of the Employee Health and Benefits RFP and the work undertaken to ensure that the transition to the new provider ensured the controls and oversight were in place

Responsibilities of PPEB in Benefits Administration, Adjudication & Monitoring

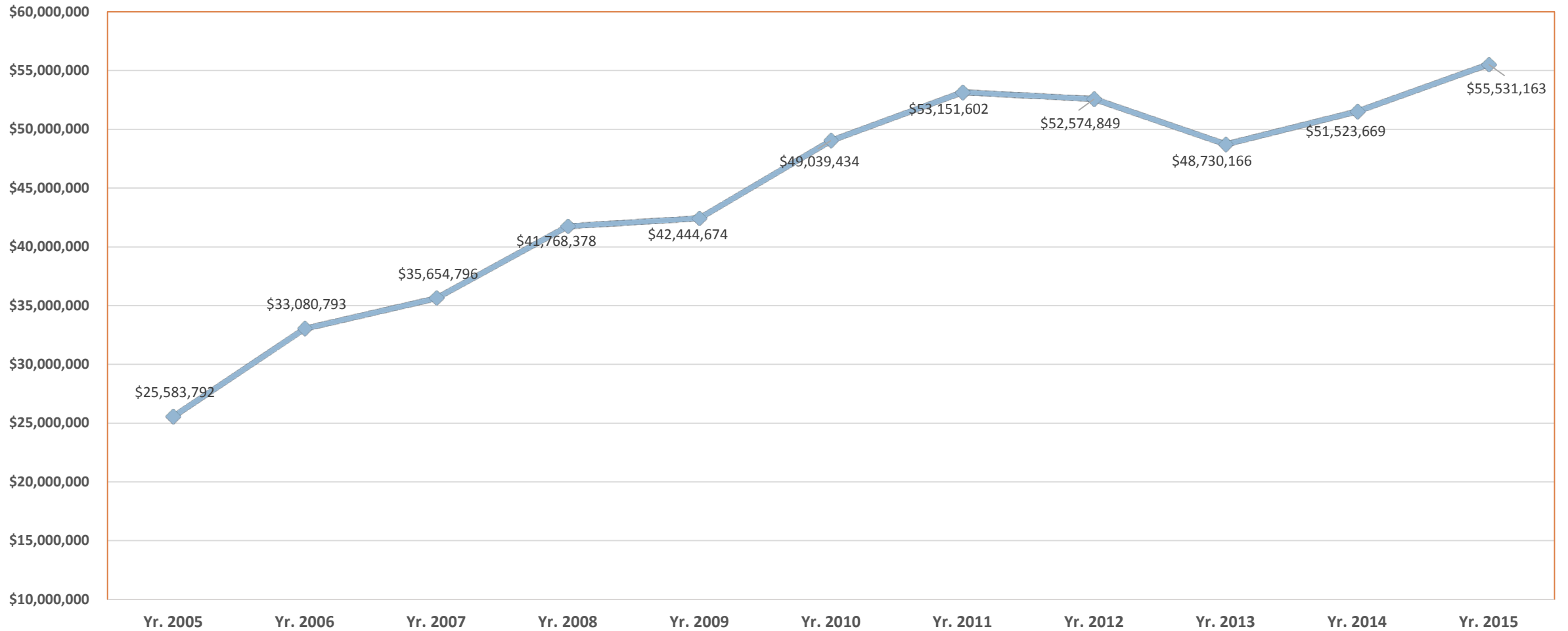
PPEB is responsible for the administration of the City's benefit plan, including:

- plan implementation;
- liaising with, and oversight of the benefit plan administrator;
- documentation and enrolling new employees, answering and addressing questions and issues;
- reviewing and analyzing utilization trends and issues; and
- providing recommendations for changes in plan design and support for those changes etc.
- Facilitate/Lead Benefit Fraud Investigations whether identified via the Benefits Provider or AG Fraud Hot Line, and
- Identifying issues to be address during bargaining

Responsibilities of PPEB in Benefits Administration, Adjudication & Monitoring

- Formal quarterly meetings with Manulife discussing process and administration issues
- Benefits Monitoring Committee Meetings with Fire monthly and CUPE 416, CUPE 79 and COTAPSA as required
- Enforce overage dependent criteria by requiring proof of enrolment in full time studies on an annual basis
- Introduced requirement of proof of eligibility for all spouses and dependents
- Annually: claims are reviewed by 'unique family number' identifier at the benefit level (i.e. physio, drugs, dental etc.) . Members with high claim volumes are forwarded to Plan Administrator for investigation.
- Semi Annually: review Manulife trending data by employee group for EHC and Dental

Costs For Extended Health 2005 - 2015



Plan Design - Cost Containment & Trending

In the 2009 and 2012 rounds we made the following changes:

- Changed the dental recall period from 6 to 9 months for all employee groups
- Changed physiotherapy from unlimited to a \$2,000 cap for Local 79 and Management (Local 416 previously had a \$2,000 cap)
- Changed orthopedic shoes from 1 pair per year to 1 pair every 2 years and for off the shelf shoes only pay for the customization for Local 416, Local 79 and Management
- Required a prescription for massage for Local 416 and Local 79 when a prescription was not previously required
- For management, eliminated the "doubling up" provision for Paramedicals
- Implemented a \$9 dispensing fee cap for all employee groups
- Reduced vision to \$450 every 2 years for Local 79

Plan Design - Cost Containment & Trending Cont.

In 2016:

- Changed the orthotic benefit from 1 pair per year to 1 pair every 2 years
- Changed the nature of the City's drug benefit coverage to mandatory generic
- In addition, there were significant changes to the Sick pay coverage (20 days @ 100% and 110 days @ 75%) and the change in LTD coverage from 75% to 70%. All of these were done in one round of collective bargaining without a labour disruption.
- All of these changes are a result of the analysis and the information put together to support the proposals at the bargaining table and all address key cost drivers for the City (including areas of the potential fraud).

Plan Design - Cost Containment & Trending Cont.

- The following is a summary of the impacts/savings that have been achieved from the 2012/2013 changes (for Active, before admin. & taxes):

BENEFIT DESCRIPTION	2011	2012	2013	2014	2015
MASSAGE	\$ 6,200,286	\$ 5,713,787	\$ 5,221,283	\$ 5,481,980	\$ 5,892,300
ORTHOPEDIC SHOES	\$ 2,066,316	\$ 1,286,049	\$ 541,186	\$ 588,110	\$ 502,284
VISION CARE	\$ 6,869,370	\$ 6,405,856	\$ 6,166,890	\$ 6,569,554	\$ 6,764,450
PHYSIOTHERAPIST	\$ 7,826,167	\$ 8,789,234	\$ 7,747,372	\$ 7,868,505	\$ 8,621,545
TOTAL	\$ 22,962,139	\$ 22,194,926	\$ 19,676,731	\$ 20,508,149	\$ 21,780,578
SAVINGS VS 2011	N/A	-\$ 767,213	-\$ 3,285,408	-\$ 2,453,990	-\$ 1,181,561
*Physio capped at \$2,000 starting 2013					

Plan Design - Cost Containment & Trending Cont.

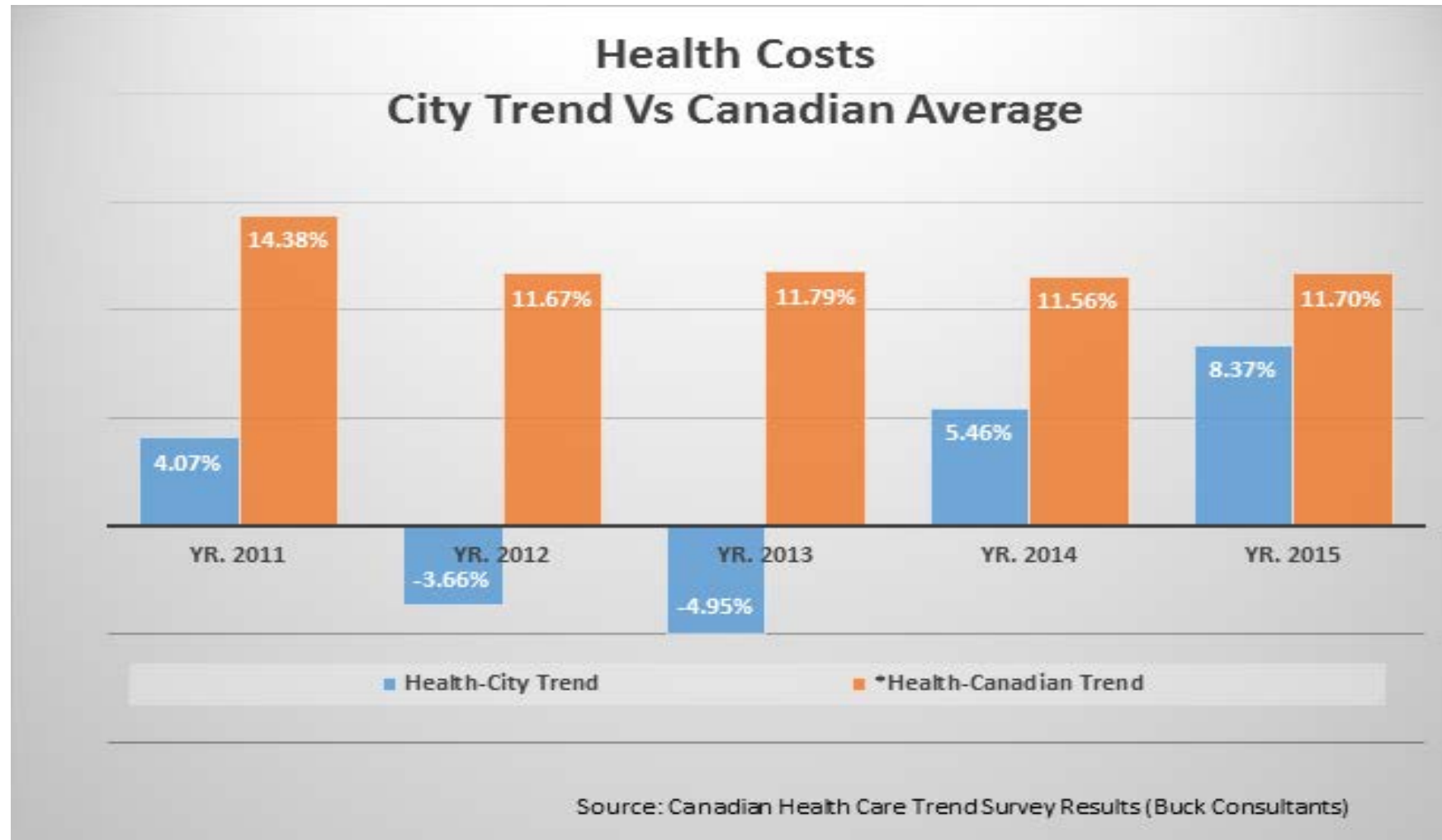
- The following is a summary of the savings attributed to the cap on the dispensing fees:

Dispensing Fee for Active					
	2011	2012	2013	2014	2015
ALL	\$ 6,346,752	\$ 5,389,607	\$ 4,896,324	\$ 4,947,304	\$ 4,981,365
Compared to 2011	N/A	-\$ 957,145	-\$ 1,450,428	-\$ 1,399,448	-\$ 1,365,387

- In addition, through the efforts of this work and the strategies put in place the City has been able to achieve single digit health and dental cost increases compared to the industry average double digit increases that have occurred over the same period.

Plan Design - Cost Containment & Trending Cont.

The following is summary of the City trends vs. the Industry average trends over the last 5 years:



Action Plan

- The AGs review and recommendations are important and helpful to making improvements, especially in the areas of contract management which are being implemented
- PPEB is currently reviewing the administration of the benefits, in consultation with E&LR and Legal, to ensure the processes and assessment tools are in place to administer the benefit program, in accordance with the collective agreements, City policies, past practices and the benefit plans
- Working with the Benefit Plan Administrator to ensure the appropriate information, systems and reporting processes are in place to ensure for proper analysis
- The Treasurer and Director of PPEB will follow up on unusual items identified and request additional information from Manulife in order to ensure that any errors are properly corrected and overpayments collected, and
- Program design issues will be reviewed and addressed through collective bargaining, where appropriate