



**AUDITOR GENERAL'S  
REPORT  
ACTION REQUIRED**

**Management of the City's Long-Term Disability Benefits  
Phase Two: Interim Report on the Approval and  
Monitoring of Claims**

<b>Date:</b>	June 30, 2016
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

---

This interim report provides the results of the Auditor General's review of a sample of Long-Term Disability (LTD) benefits claim files as part of the Auditor General's Phase Two Audit of the City LTD benefits program.

The Auditor General's 2015 Audit Work Plan included an audit of the City's management of LTD benefits. The audit was divided into two phases. Phase One, which focused on how City staff managed the LTD benefits was completed in October 2015, and the audit report was submitted to the Audit Committee in October 2015:

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-84556.pdf>

Phase Two of the audit included a detailed review of a sample of LTD claim files administered by Manulife. The Phase Two audit is currently underway. A full audit report will be presented to the City Audit Committee at its October 2016 meeting.

The City's current five-year contract with Manulife will expire in December 2016, and the award of a new five-year contract is pending City Council approval. In view of the pending contract award and the ensuing preparation of a new contract, we are providing our claim review findings and recommendations earlier through this interim report.

## RECOMMENDATIONS

---

### The Auditor General recommends that:

1. City Council request the Treasurer to require the City's Long-Term Disability (LTD) Benefits Administrator to provide up-to-date diagnostic statistics and reports, in aggregate data, to the City reflecting claimants' initial and current primary diagnoses.
2. City Council request the Treasurer to assess, within the framework of Human Rights and Privacy legislation, the feasibility and appropriateness of requiring the City's Long-Term Disability (LTD) Benefits Administrator to ensure all new mental and nervous disorder claims, and claims in which the diagnoses change to mental health and nervous disorders, are supported by medical reports from specialists (Psychiatrist or Psychologist) prior to or soon after the claim approval to assess claimants' return to work potential and accommodation needs.
3. City Council request the Treasurer to implement adequate steps to ensure that the City's Long-Term Disability (LTD) Benefits Administrator conducts telephone interviews with all LTD benefits claimants' supervisory staff as part of the claim adjudication process.
4. City Council request the Treasurer to develop a process whereby the appropriate City staff are informed by the City's Long-Term Disability (LTD) Benefits Administrator of workplace related issues associated with LTD claims and return to work. The workplace related issues should be communicated in a manner that complies with applicable privacy legislation and in a timely manner allowing the appropriate City staff to adequately address the issues and accommodate LTD claimants' needs for returning to work.
5. City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator requirements to develop and implement specific criteria to help ensure:
  - a. LTD benefits claimants' timely participation in rehabilitation program; and
  - b. Case Managers undertake timely return to work actions during claim management process.
6. City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator performance measures pertaining to:
  - a. Acquiring timely medical updates to support continuation of LTD benefits;

- b. Timely claim management actions to address claimants' delays in responding to the Administrator's contact; and
  - c. Timely claim management actions in arranging for rehabilitation activities for claimants.
- 7. City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator a requirement to provide the City with internal audit results if available. These internal audit results should be reviewed by the appropriate City staff to ensure ongoing compliance with contractual requirements.
- 8. City Council request the Treasurer to require the City's Long-Term Disability (LTD) Benefits Administrator to take steps to ensure all active claims are supported by medical information provided by physicians who are licensed to practise medicine in Ontario. Such steps should include but not be limited to:
  - a. Review all active claims and the license status of the physicians and specialists, including the two claims supported by the physicians whose licenses had either been suspended or revoked; and
  - b. Implement a process to verify physicians' license status during the initial claim assessment. The license verification process should also be conducted on all active claims at least on an annual basis.
- 9. City Council request the Treasurer to ensure the amount of refund received from Manulife in relation to extra tax and administration fee charges for Long-Term Disability benefits administration is complete and accurate.

## **Financial Impact**

As a result of the audit, the City and its agencies and corporations will recover approximately \$240,000 for overpaid HST, administration fee and interest. Refund is pending from Manulife.

## **ISSUE BACKGROUND**

The City of Toronto provides extended health care, dental care and LTD coverage to its employees in accordance with collective agreements and City policies.

The City's current benefits administrator is Manulife, which acts as the City's 'agent' in processing City LTD claims under an Administrative Services Only (ASO) contract. The City pays for the benefit claim costs. Manulife acts on the City's behalf to ensure LTD claims are adequately assessed and paid. The City pays Manulife a fee for administrative services provided.

The City's Pension, Payroll and Employee Benefits Division (PPEB) is responsible for the oversight of the employee benefit program including LTD benefits. However, City staff are not involved in claim adjudication or monitoring processes. Manulife is solely responsible for claim adjudication, ongoing monitoring, and issuing benefit payments to employees on the City's behalf.

## **COMMENTS**

In order for the Auditor General to access Manulife claim records, Manulife required a confidentiality agreement be executed with the City to enable the Auditor General to access Manulife's claim records. The agreement was executed in January 2016, and audit staff completed the claim review in March 2016.

Phase Two of the audit included a detailed review of a sample of LTD claim files administered by Manulife. At the time of writing this report, we have not completed all of our work in relation to Manulife's administrative services. We will report our full audit results in the report in October 2016.

In view of the pending contract award and the ensuing preparation of a new contract, we are providing our claim review findings and recommendations earlier through this interim report. Our Phase Two interim report provided 9 recommendations to improve the City's oversight and management of LTD benefits. We hope that by reporting our findings and recommended changes earlier, they will be considered by City staff and incorporated into the new contract with the next LTD benefits administrator.

Audit findings and recommendations are contained in the interim report entitled "Management of the City's Long-Term Disability Benefits – Phase Two: Interim Report on the Approval and Monitoring of Claims".

The audit interim report is attached as Appendix 1. Management response to recommendations contained in the audit report is attached as Appendix 2.

## **CONTACT**

Jane Ying, Assistant Auditor General, Auditor General's Office  
Tel: 416 392-8480, Fax 416 392-3754. E-mail [jying@toronto.ca](mailto:jying@toronto.ca)

Angela Rafalovich, Acting Senior Audit Manager, Auditor General's Office  
Tel: 416 397-4622, Fax 416 392-3754, E-mail [arafalo@toronto.ca](mailto:arafalo@toronto.ca)

## **SIGNATURE**

---

Beverly Romeo-Beehler, Auditor General

## **ATTACHMENTS**

- Appendix 1: Management of the City's Long-Term Disability Benefits – Phase Two: Interim Report on the Approval and Monitoring of Claims
  
- Appendix 2: Management response to recommendations in the Auditor General's Report entitled "Management of the City's Long-Term Disability Benefits – Phase Two: Interim Report on the Approval and Monitoring of Claims"

**AUDITOR GENERAL'S REPORT**

**Management of the City's Long-Term  
Disability Benefits**

**Phase Two: Interim Report on the Approval  
and Monitoring of Claims**

**June 30, 2016**

---

**Beverly Romeo-Beehler, CPA, CMA, B.B.A., JD  
Auditor General**



---

## TABLE OF CONTENTS

---

<b>EXECUTIVE SUMMARY</b> .....	1
<b>BACKGROUND</b> .....	5
<b>AUDIT OBJECTIVE, SCOPE AND METHODOLOGY</b> .....	8
<b>AN OVERVIEW OF MANULIFE'S CLAIM MANAGEMENT AND ADJUDICATION PROCESS</b> .....	11
<b>SAMPLED CLAIM REVIEW RESULTS</b> .....	12
<b>A. Strengthening the City's Oversight of Mental Health and Nervous Disorder Claims</b> .....	13
<b>B. The City Should Be Advised of Work Related Issues Associated with Long Term Disability Claims</b> .....	16
<b>C. Addressing Return to Work Delays Caused by Claimants' Non-Participation</b> .....	19
<b>D. Delays in Claim Management Actions</b> .....	21
D.1. Delays in Obtaining Medical Information to Support Benefits Continuation.....	21
D2. Delays in Other Claim Management Actions .....	22
<b>E. The City Should Request Internal Audit Results</b> .....	23
<b>F. Confirming Physicians' License Status</b> .....	24
<b>G. Refund for Duplicated Taxes Since 2003</b> .....	26
<b>CONCLUSION</b> .....	27

---

## EXECUTIVE SUMMARY

---

***Manulife is the City's current LTD benefits administrator***

The Auditor General's 2015 Audit Work Plan included an audit of the City's management of Long-Term Disability (LTD) benefits. Manulife is the City's current benefits administrator, which acts as the City's 'agent' in processing City LTD claims under an Administrative Services Only (ASO) contract.

***Phase One focused on City management of LTD benefits***

The 2015 audit was divided into two phases. Phase One, which focused on City management of LTD benefits, was completed in 2015 and the audit report was submitted to the Audit Committee in October 2015:

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-84556.pdf>

***Phase Two included a review of a sample of claims***

Phase Two of the audit included a review of a sample of claims. Manulife required a confidentiality agreement be executed with the City to enable the Auditor General to access Manulife's claim records. The agreement was executed in January 2016.

Our claim review was conducted during March 2016. At the time of writing this interim report, we have not completed all of our work in relation to Manulife's administrative services. We will report our audit results in the full report in October 2016.

***This interim report provides our claim review findings***

The City's current five-year contract with Manulife will expire in December 2016, and the award of a new five-year contract is pending City Council approval. In view of the pending contract award and the ensuing preparation of a new contract, we are providing our claim review findings earlier through this interim report so that City staff can consider our recommendations and, where feasible, incorporate them into the next contract.

***We selected 40 claims for review based on various risk factors***

As part of the Phase Two audit, we conducted a detailed review of 40 active LTD claims. We selected the sample based on risk factors. Since our sample was not selected at random, it is not statistically representative of the population of LTD claims. Based on our review of sampled claims, we noted that Manulife:



- Processed disability claims within 10 business days
- Ensured all the required forms are obtained, properly completed and retained on file for each claim
- Created an individualized case management plan for each claim with detailed interview notes
- Maintained regular contact with claimants
- Ensured claimants applied for CPP benefits
- Implemented a rehabilitation program for the purpose of returning claimants to work

Our claim review identified a number of areas where the City may strengthen its oversight of the LTD benefits program through its new benefits administration contract. Our key findings are highlighted below:

**Strengthening the City's oversight of mental health and nervous disorder claims**

*Mental health related claims accounted for 37% of all claims by December 2015*

While the City's LTD statistics generally reflect the growing trend of mental health and nervous disorders in Canada, the pace and magnitude of recent increases in this diagnosis category have been prominent. The percentage of mental health related claims has steadily increased from 27 per cent of all LTD claims in 2004 to 37 per cent by December 2015.

*Percentage of mental health related claims is likely to be higher than 37%*

In our review of 40 selected claims, we found five claims where the claimant's primary diagnosis appears to have been changed during the LTD leave to mental health and nervous disorders. Since the reported data from Manulife is based only on initial "primary diagnosis", the percentage of the City's mental health related LTD claims, based on current diagnosis, is likely to be higher than 37 per cent.

*Mental health related claims can be approved without specialist assessments*

Our review also found that certain mental health related claims were approved based on information from family physicians without medical reports from mental health specialists, such as Psychiatrists or Psychologists.

We understand that family physicians can diagnose mental health disorders and prescribe treatment. However, it may be prudent for the City to assess, within the framework of Human Rights and Privacy legislation, the feasibility and appropriateness of incorporating into its new benefits administration contract a requirement to obtain specialist assessments prior to or soon after the approval of this category of claims. The requirement for specialist reports should be for the purpose of assessing claimants' return to work potential and needs for accommodation.

**The City should be advised of work related issues associated with LTD claims**

*Work related stressors were identified in a considerable number of claims reviewed*

Of the 40 LTD claims reviewed, we noted 10 where the claimants stated that they experienced work related issues such as discipline or workplace harassment. Based on our claim review, in general work related issues identified by Manulife during interviews with claimants are not communicated to the appropriate City staff. Manulife clarified that it communicates issues and barriers in relation to accommodation needs and return to work but does not share explicit details without the consent of the claimants.

*The City should address workplace related issues*

Consequently, the City cannot take appropriate steps to accommodate the employees to facilitate return to work. Nor can the City address the workplace issues to prevent further incidents.

**Addressing delays in claimants returning to work**

*Delays in returning to work due to claimants' non-participation in rehabilitation process*

Manulife Case Managers are responsible for determining claimants' return to work potential. Case Managers use rehabilitation programs to improve a claimant's functional capacities and work readiness.

Of the 40 claims reviewed, 27 were referred for rehabilitation. In six of these 27 claims, the rehabilitation programs were delayed or cancelled by the claimants.

While we agree that certain situations need to be handled on a case-by-case basis considering claimants' unique circumstances, we believe that criteria, such as a recommended length of time for scheduling rehabilitation interventions or return to work meetings, can help ensure the return to work process is handled in a timely, consistent and effective manner.

### **Delays in claim management actions**

*Claim management delays were observed in a few instances*

In our review of the 40 sampled claims we noted:

- Two cases where there were delays in the Case Manager's actions to obtain medical updates to support the continuation of LTD benefits,
- One case where there were delays in taking action after the claimant could not be reached for a prolonged period of time; and
- One case where there were delays in referring the case for rehabilitation.

*No specific contract requirements pertaining to timely claim management*

The City's current contract with Manulife does not contain specific provisions pertaining to the timeliness of activities in the ongoing monitoring and management of claims. The City can enhance its oversight of LTD claim management by incorporating specific performance measures relating to timely management of claims in the next contract or City instructions.

### **Physicians' active license statuses are not verified**

When applying for LTD benefits, the claimant must submit to Manulife an Initial Attending Physician Statement. This statement provides medical evidence to support the disability claim and must be completed by a licensed physician.

*Process should be in place to verify physician's license status*

Manulife's processes do not require Case Managers to verify a physician's active license status during a claim assessment. Our review found one instance where the attending physician's license was suspended and another where the physician's license was revoked. Although both physicians did not provide medical reports after their licenses had been suspended, based on the reasons for suspensions, there is a possibility that the physicians' diagnoses and assessments previously submitted might not be credible.

**City and its agencies and corporations will recover approximately \$240,000 from Manulife**

*City will recover approximately \$240,000 duplicated HST charged by Manulife*

In our review of Manulife monthly billing statements and the supporting invoices, we noted that the City was charged for duplicated HST for certain external services. Manulife acknowledged the error and indicated that it would refund the City and its agencies and corporations approximately \$240,000 for overpaid HST, administration fee and interest dating back to 2003.

Combining the most recent \$240,000 refund and the \$1.8 million billing error identified in our Phase One audit, the City will recover approximately \$2 million from Manulife as a result of our audit.

**Conclusion**

*Nine recommendations to help improve City oversight*

This Phase Two interim report provides nine recommendations to improve the City's oversight and management of LTD benefits. We hope that by reporting our findings and recommendations earlier, they will be considered by City staff and, where feasible, incorporated into the new contract with the next LTD benefits administrator.

---

**BACKGROUND**

---

The City of Toronto provides extended health care, dental care and Long-Term Disability (LTD) coverage to its employees in accordance with collective agreements and City policies.

*Manulife is the City's current LTD benefits administrator*

The City's current benefits administrator is Manulife, which acts as the City's 'agent' in processing City LTD claims under an Administrative Services Only (ASO) contract. The City pays for the benefit claim costs. Manulife acts on the City's behalf to ensure LTD claims are adequately assessed and paid. The City pays Manulife a fee for administrative services provided.

***Manulife approves and monitors LTD claims***

The City's Pension, Payroll and Employee Benefits Division (PPEB) is responsible for the oversight of the employee benefits program which includes LTD benefits. However, City staff are not involved in claim adjudication or monitoring processes. Manulife, acting as an agent for the City, is solely responsible for claims adjudication, ongoing monitoring, and the issuance of benefit payments to employees on City's behalf.

***Phase One focused on the City's processes and management***

The Auditor General's Office commenced an audit of the City LTD benefits administration in 2015 in accordance with its 2015 Audit Work Plan. The audit was divided into two phases. Phase One, which focused on City management of LTD benefits, was completed in 2015, and the audit report was submitted to the Audit Committee in October 2015. The report is available at:

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-84556.pdf>

***As of June 2015, over 1,200 employees were on LTD***

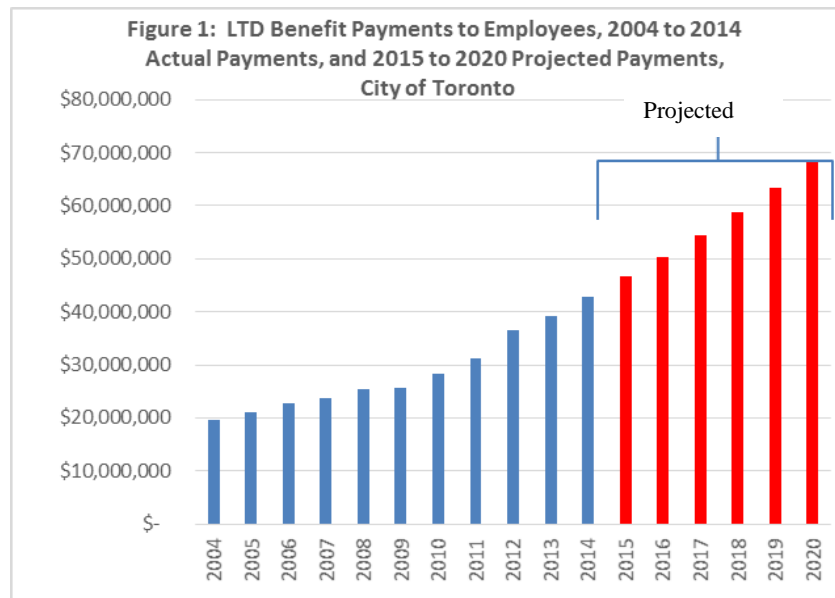
In our Phase One report, we noted that the number of City employees in receipt of LTD benefits has increased by 60 per cent from 806 in 2004 to 1,285 as of June 2015.

***On average 1 in 20 employees with LTD benefits was off work on LTD***

The number of City employees with LTD benefits coverage remained almost the same over the past five years, while the number of employees off work on LTD leave increased significantly. On average, 1 in 20 employees entitled to LTD benefits was off work on LTD leave.

***In 2014, the LTD benefits cost was \$42.8 million***

As the number of LTD cases continued to climb, so did the benefit payment costs. In 2014, the LTD benefit costs were \$42.8 million. The unfunded liability for LTD benefits, based on the actuarial valuation, was approximately \$190 million. Based on the current rate of increase, the projected annual benefit cost could reach nearly \$70 million by 2020. Figure 1 shows actual and projected LTD benefit costs from 2004 to 2020. However, the projected trend does not account for the potential cost reduction as a result of reducing LTD benefit payment from 75 per cent to 70 per cent of salary in the latest negotiated collective agreements.



"Mental and Nervous Disorders" and "Musculoskeletal Disorders" accounted for 59 per cent of all active claims based on December 2015 claim statistics.

*City's return to work rate was significantly lower than the rates of the TPS and the TTC*

In 2014, the City's return to work rate was four per cent of active claims, compared to eight per cent for the Toronto Police Service (TPS) and 18 per cent for the Toronto Transit Commission (TTC). Similar to the City, the TTC currently contracts with Manulife to administer LTD claims on an ASO basis. The TPS provides LTD benefits to the majority of its employees through a central sick bank system that is managed and administered by an in-house program.

Is it important for the City to have an effective return to work program because, according to the Canadian Medical Association, a safe and timely return to work not only benefits the employee and his or her family by enhancing recovery and reducing disability, it also preserves a skilled and stable workforce for the City and the society.

## **Why We Issued an Interim Report**

*Phase Two included a review of a sample of Manulife's claim files*

Phase Two of the audit included a review of a sample of claim files, and a review of other areas not addressed in Phase One.

In order for the Auditor General to access Manulife's claim records, Manulife required a confidentiality agreement with the City which was executed in January 2016, enabling the Auditor General to proceed with the Phase Two audit

*Phase Two Audit is currently underway*

In March 2016 we completed our review of a sample of Manulife's claim files, and we are currently conducting the remaining Phase Two audit work.

*A new five-year contract will be awarded soon*

While our Phase Two audit is currently underway, the City's current five-year contract with Manulife will expire in December 2016, and the award of a new five-year contract is pending City Council approval. After the award of the contract, City staff will be developing a new contract agreement with the next LTD benefits administrator.

*This interim report provides our key claim review findings in time for preparation of the next contract*

In reviewing a sample of Manulife's claim files, we have identified a number of opportunities to improve the City's oversight of the claim approval and monitoring processes in the next contract. In light of the pending contract award and the ensuing preparation of a new contract, we believe it is important to provide our key claim review findings and recommendations earlier through this interim report so that they may be considered by City staff in developing a new five-year contract with the next LTD benefits administrator.

*Full audit report will be presented in October*

All results from our Phase Two audit, including those in this interim report, will be provided in a full audit report to the City Audit Committee in October 2016.

---

## **AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

---

*Phase Two included a review of a sample of claims*

Phase Two of the audit included a review of a sample of claim files. The objective of the review, as stated in the terms of reference in the City's Confidentiality Agreement with Manulife, was to assess whether the City is receiving effective and timely claim administrative services.

At the time of writing this interim report, we have not completed all of our work in relation to Manulife's administrative services. We will report our audit results in the full report in October 2016. This interim report provides our key review findings and recommendations that may impact the next five-year contract.

***Scope of the claim review***

Our review focused on LTD claims that were active as of December 31, 2015. To ensure an adequate mix of claims, a stratified judgmental sample of 40 claims, as described in the table below, was selected:

Diagnosis	Sampled Claims		All Claims	
	Number	%	Number	%
Mental/Nervous Disorder	15	38	501	37
Musculoskeletal Disorder	9	23	302	22
Brain and Nervous System	2	5	106	8
Benign/Malignant	2	5	95	7
Cardiovascular	1	2	79	6
Other Diagnosis (e.g. miscellaneous, non-occupational accidents)	11	27	283	20
Total	40	100	1,366*	100

\* Not including claims from staff of the Auditor General's Office to avoid conflict of interest

***We selected 40 claims for review based on various risk factors***

Due to the complexity of LTD claims, we could only review a limited number of files. Instead of selecting a random sample, we selected the sample based on risk factors.

***Our review results are not statistically representative***

Since our sample was not selected at random, it is not statistically representative of the population of LTD claims. For example, where our review identified an issue in 4 of the 40 sampled claims, it shows the existence of such an issue in a number of claims, but it should not be inferred that 10 per cent of the entire 1,366 active LTD claims have the issue.



***Audit methodology***

The audit methodology pertaining to the claim review process included:

- Review of relevant legislative and policy requirements and guidelines
- Meetings and interviews with staff of the Pension, Payroll and Employee Benefits Division and the Human Resources Division
- Specific steps taken in reviewing the sampled claim files:
  - Manulife and the City entered into a confidentiality agreement to ensure protection of individual confidential medical and personal information
  - Manulife provided a list of all active and closed LTD claims to audit staff for sample selection purposes. No name or any personal identifier was included in the list. LTD claims from staff with the Auditor General's Office were excluded from the list to avoid conflict of interest
  - Audit staff reviewed 40 claim files at Manulife's office over a two-week period
  - Immediately or soon after each file review, audit staff discussed their observations with Manulife staff to ensure correct understanding and interpretation of the records and processes
  - Throughout the file review, audit staff discussed and clarified their observations and understanding with Manulife staff via meetings and emails.

***Manulife was responsive and cooperative***

We wish to thank Manulife for its cooperation throughout the course of our audit, in particular, those staff members who assisted us in our review of claim files and internal controls.

***Compliance with generally accepted government auditing standards***

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

---

## **AN OVERVIEW OF MANULIFE'S CLAIM MANAGEMENT AND ADJUDICATION PROCESS**

---

***LTD claim is initiated upon receipt of the application forms***

City employees applying for LTD benefits are required to submit to Manulife a Plan Member Statement and an Attending Physician Statement. Employees are asked to submit these forms at least six to eight weeks before the end of their qualifying period for applying for LTD benefits. The term "qualifying period" refers to the requirement for a six-month continuous absence due to illness or injury.

***Case Managers are trained to assess claims but they are not licensed health professionals***

Manulife has a team of 15 Case Managers handling the City's LTD claims. Manulife advises that all of its Case Managers have received six months to a year of specialized training and are experienced in claims adjudication and case management. Case Managers are not required to be licensed health professionals.

***In-house Medical Consultants do not review every claim***

Where needed, Case Managers can obtain additional support from supervisors, in-house specialists, and in-house Medical Consultants who are licensed medical professionals. Medical Consultants, however, only review claims that are referred to them by Case Managers.

***Each claim is assessed by a Case Manager***

Each claim is assigned to a Case Manager who reviews the application forms, the relevant contractual considerations, and the medical and functional information. Case Managers are required to conduct a telephone interview with the claimant as part of the claim assessment process to confirm details of the claimant's health conditions including medications and treatments, as well as functional capacities.

***Case Manager develops an action plan for each claim***

Case Managers are required to develop a case management action plan detailing:

- analysis of contractual, vocational and functional considerations
- follow-up activities with claimants or physicians
- treatment facilitation
- rationale for the claim decisions
- expected outcomes; and
- next steps for on-going case management

Throughout the duration of the claim, Case Managers are required to update the action plans based on new information and developments.

***Results of regular supervisory reviews are not documented on file***

According to Manulife, claims with monthly benefits payment exceeding a certain dollar limit are "mandatorily and automatically reviewed" by supervisory staff. The purpose of the review is to conduct a secondary review of case management decisions and plans, and the LTD benefit payments. While these reviews are tracked in the Manulife's claim system, they were not documented in the claim file notes that we reviewed.

---

## **SAMPLED CLAIM REVIEW RESULTS**

---

***Full extent of contract compliance will be reported in October***

We have not completed all of our work in relation to Manulife's administrative services. However, to date we have not noted areas of non-compliance in our claim review. In addition to compliance, our review includes identification of opportunities for improving effectiveness and timeliness of claim management. We will report our audit results in the full audit report in October 2016.

The recommendations in this interim report focus on enhancing the City's oversight of LTD benefits program on a go forward basis. While we have not completed the assessment of Manulife's compliance with the contract terms, to date we can confirm that, in our review of 40 sampled claim files, Manulife :

- Processed disability claims within 10 business days
- Ensured all the required forms are obtained, properly completed and retained on file for each claim
- Created an individualized case management plan for each claim with detailed interview notes
- Maintained regular contact with claimants
- Ensured claimants applied for CPP benefits
- Implemented a rehabilitation program for the purpose of returning claimants to work.

*Our review results are not statistically representative*

Since our sample was not selected at random, it is not statistically representative of the population of LTD claims. For example, where our review identified an issue in 4 of the 40 sampled claims, it shows the existence of such an issue in a number of claims, but it should not be inferred that 10 per cent of the entire 1,366 active LTD claims have the issue.

Our review identified a number of areas where the City may enhance its oversight of the LTD benefits program through its new five-year benefits administration contract. The following sections contain our key findings and recommendations.

## **A. Strengthening the City's Oversight of Mental Health and Nervous Disorder Claims**

*Claim statistics is based on initial "primary diagnosis"*

Manulife's system allows for primary, secondary and tertiary levels of diagnostic reporting to capture claimants' multiple conditions. Manulife provides aggregated statistical reports to the City on diagnostic categories. The statistical reports are generated from claimants' initial "primary diagnosis" data in Manulife's system.

According to data from Manulife, as of December 2015, mental health related claims accounted for 37 per cent of all City's LTD claims.

In our review of 40 claim files, we found eight claims where the claimant's primary diagnosis appears to have been changed during the LTD period.

*Diagnostic records in the system are not always updated by Case Managers*

Of these eight claims, the primary diagnosis of five claims appears to have been changed to mental health and nervous disorders. However, the system records were not updated. Manulife indicated that Case Managers use their judgment to decide whether it is necessary to update the system records when there is a change to primary diagnosis.

*The percentage of mental health illness, based on current diagnosis, is likely to be higher than 37%*

Based on our claim review findings, the percentage of mental health disorders, based on current diagnosis, is likely higher than 37 per cent which is based on the initial diagnosis. In response to our findings, Manulife indicated that it is an industry practice to provide diagnostic statistics and trend reports based only on the initial diagnosis.

In the City's most recent Request for Proposal (RFP), the benefits administrator is required to provide the City with annual trending reports. In our view, in addition to reports based on initial diagnosis, reports based on current diagnosis will be important to the City in gaining a full picture of its LTD benefits program and supporting the City in developing effective health and wellness strategies.

**Recommendation:**

- 1. City Council request the Treasurer to require the City's Long-Term Disability (LTD) Benefits Administrator to provide up-to-date diagnostic statistics and reports, in aggregate data, to the City reflecting claimants' initial and current primary diagnoses.**

*No requirement for the in-house Psychiatrist to review all mental disorder claims*

Currently, Manulife has no requirement for a mental health disorder claim to be reviewed by an in-house Psychiatrist. Case Managers may refer claims to an in-house Psychiatrist at their discretion.

Manulife indicated that it has recently strengthened its monitoring of mental health related claims. We are not able to discuss details of the improved process because Manulife deems the information as proprietary.

*Approval of mental health disorder claims does not require medical reports from specialists*

Of the 40 sampled claims, we selected 15 mental health and nervous disorder claims for a detailed review. Of these claims, two were approved by Case Managers based solely on information from family physicians without any medical report from mental health specialists such as Psychiatrists or Psychologists.

In addition, of the five claims where the initial "primary diagnosis" appears to have been changed to mental health disorders during the LTD period, two did not have medical information from specialists to support the mental health illness claims.

*Mental health disorders account for 37% of claims*

Mental health illness is being recognized as a leading cause of disability in Canada. While LTD statistics in the City generally reflect the growing trend of mental health and nervous disorders in Canada, the pace and magnitude of recent increase in this diagnosis category have been prominent. The percentage of mental health related claims, based on initial diagnosis, has risen from 27 per cent of all City LTD cases in 2004 to 37 per cent by the end of 2015.

*Specialist assessments may be helpful in facilitating return to work and identifying accommodation needs*

We understand that family physicians can diagnose mental health disorders and prescribe treatment. However, in view of the rising trend in the City's mental health related claims, it may be prudent for the City to assess, within the framework of Human Rights and Privacy legislation, the feasibility and appropriateness of requiring its next LTD Benefits Administrator to obtain specialist assessments prior to or soon after the approval of this category of claims. The specialist assessments should be acquired for the purpose of facilitating claimants' return to work and identifying accommodation needs.

**Recommendation:**

- 2. City Council request the Treasurer to assess, within the framework of Human Rights and Privacy legislation, the feasibility and appropriateness of requiring the City's Long-Term Disability (LTD) Benefits Administrator to ensure all new mental and nervous disorder claims, and claims in which the diagnoses change to mental health and nervous disorders, are supported by medical reports from specialists (Psychiatrist or Psychologist) prior to or soon after the claim approval to assess claimants' return to work potential and accommodation needs.**

## **B. The City Should be Advised of Work Related Issues Associated with LTD Claims**

*Telephone interviews with a claimant's supervisor/manager is an important claim assessment step*

In our discussion with Manulife, we were advised that starting early 2014, Case Managers have been required to conduct telephone interviews with a claimant's supervisor/manager as part of the claim assessment process. This enables Case Managers to obtain information about the claimant's essential duties, work environment and any work-related issues. Manulife indicated that the supervisor interviews were implemented for all City divisions except the Fire Services Division as per City direction.

*Fire Services Division was excluded from the supervisor interview process*

According to City staff, following consultation with Manulife, the City provided direction in July 2013 to implement the supervisor interviews for all City divisions. However, when the interviews were implemented, Manulife did not include the Fire Services Division. In response to our audit, City staff advised that this exception has now been corrected and the supervisor interviews are being conducted for all City divisions.

*Telephone interviews with the claimants supervisor/manager were not conducted for many claims*

Our review found that Case Managers did not always conduct telephone interviews with the claimant's supervisor/manager. Among the 40 claims reviewed, 18 were approved after early 2014 and should have records of Case Managers contacting the claimant's supervisory staff. Eight of these 18 files do not contain evidence that a supervisory interview was conducted. In three of these eight cases, Case Managers made attempts to reach supervisory staff but there was no follow up to complete an interview.

### **Recommendation:**

- 3. City Council request the Treasurer to implement adequate steps to ensure that the City's Long-Term Disability (LTD) Benefits Administrator conducts telephone interviews with all LTD benefits claimants' supervisory staff as part of the claim adjudication process.**

*Work related stressors identified in a number of claims reviewed*

Of the 40 LTD claims reviewed, we noted 10 where the claimants stated that they experienced work related issues such as discipline, harassment, or bullying. Eight of these ten claims are mental health and nervous disorder claims.

***Some claimants said they had difficulties working with their managers***

During telephone interviews with the Case Managers, some of these ten claimants indicated that they had difficulties working with their managers, were stressed at work, their opinions were not respected, or there was a workplace complaint placed against them. Some claimants used words such as "rough", "harassed" or "bullied" to describe their work experience.

***Other claimants said they were stressed by the workload***

Other claimants expressed that they were overwhelmed or stressed by the workload or the nature of work, or feared their jobs would become insignificant or redundant.

A number of references in the Case Managers' and a family physician's notes cause us concern:

- Feeling being targeted by co-workers
- Facing performance issues or work suspension at work
- City being a very difficult place to work
- Poisonous work environment
- Years of harassment and bullying.

***Work-related issues should not diminish the validity of medical diagnoses***

We are not questioning the approval of these claims as work-related issues should not in any way diminish the validity of medical diagnoses. Further, we do not know whether the claimants' expressed opinions were valid or not. We are concerned that the City, as an employer, may not be able to address the potential work-related issues if the relevant information is not communicated to appropriate City staff.

***Manulife does not communicate to the City claimants' work related issues***

Manulife does not communicate to City staff the work related issues voiced by claimants during their interviews with Case Managers. Based on our file reviews, Manulife communicates work related barriers with City staff when a Case Manager determines that a claimant is ready to return to work or when a Case Manager needs to assess a claimant's needs for accommodation. Manulife clarified that it does not share explicit details without the consent of the claimants.

***Not all work related barriers can be discussed with City staff***

As part of the return to work process, Manulife will identify work barriers and discuss the claimant's restrictions and accommodation needs with the City's Occupational Health and Safety staff. Unless a claimant is willing to disclose information about their work situation, the City may not be aware of all return to work barriers.



The City has established Human Rights and Anti-Harassment/Discrimination Policies and Procedures, and has a Human Rights Office to investigate employee harassment and discrimination complaints. However, City employees may not be aware of the Human Rights Office or may choose not to file a complaint.

*The City as an employer should address workplace related issues*

The City, as an employer, should investigate and address reported workplace related issues. Under the current process, the City may not know the LTD claims that could be associated with work-related stressors. Consequently, the City cannot take appropriate steps to accommodate the employees or address the harassment or discrimination issues in the workplace.

*Addressing work related issues may facilitate return to work process*

In addition, if City staff can adequately address the workplace related issues, it may facilitate a claimant's return to work process. In one of the claims we reviewed, the claimant, after having cancelled several return to work meetings, agreed to attend a return to work meeting after learning that the claimant would be reporting to a different supervisor.

With regard to areas of early intervention and return to work, we will be providing further observations and recommended changes in our full audit report to be issued in October this year.

**Recommendation:**

- 4. City Council request the Treasurer to develop a process whereby the appropriate City staff are informed by the City's Long-Term Disability (LTD) Benefits Administrator of workplace related issues associated with LTD claims and return to work. The workplace related issues should be communicated in a manner that complies with applicable privacy legislation and in a timely manner allowing the appropriate City staff to adequately address the issues and accommodate LTD claimants' needs for returning to work.**

## **C. Addressing Return to Work Delays Caused by Claimants' Non-Participation**

***City's return to work rate was 4% in 2014, compared to 18% for TTC***

The City's return to work rate was considerably lower than the rates of the Toronto Police Service (TPS) and the Toronto Transit Commission (TTC). In our Phase One audit report, we highlighted that the City's 2014 return to work rate was four per cent of active claims, compared to eight per cent for the TPS and 18 per cent for the TTC.

***Manulife also administers LTD claims for TTC***

Similar to the City, the TTC currently contracts with Manulife to administer LTD claims on an ASO basis. The TPS provides LTD benefits to the majority of its employees through a central sick bank system that is managed and administered by an in-house program. In 2015, TTC's unionized employees were entitled to 60 per cent of salary coverage up to a maximum of \$2,550 per month. In comparison, City employees were entitled to 75 per cent of salary coverage without any maximum limit in 2015.

***Rehabilitation services ensure safe return to work***

An objective of Manulife's case management is to help claimants return to work in a safe and timely manner. Manulife uses rehabilitation programs to improve claimants' functional capacities and work readiness.

When a Case Manager determines that a claimant is ready for rehabilitation intervention, the Case Manager refers the claim to Manulife's National Rehabilitation Services (NRS). The NRS reviews claims to identify rehabilitation potential and works with the employee, Case Manager and City health consultants to design a return to work plan.

***Rehabilitation programs were delayed or cancelled by claimants***

Of the 40 claims reviewed, 27 were referred for rehabilitation. In six of these 27 claims, the rehabilitation programs were delayed or cancelled by the claimants. A summary of two cases is provided below:

Both cases exhibit a similar sequence of events where the Case Managers, based on recommendations from either in-house specialists/medical doctors or claimants' physicians, scheduled a rehabilitation or return to work meeting with claimants, followed by claimants cancelling, refusing to attend, or not showing up at the scheduled meetings.

Common reasons cited by claimants included health condition, awaiting appointments with the claimant's own doctor, or not ready for rehabilitation or return to work. In our view, Case Managers did not obtain medical support in a timely manner to support an effective and safe return to work plan. In both cases, there were multiple cancellations and re-scheduling of rehabilitation or return to work meetings, stretching from several months to over a year.

According to Manulife, it validated that these claims are medically and contractually supported for the duration of the LTD claims.

*No guidelines to ensure timely and consistent return to work*

Manulife indicated that Case Managers are well trained and experienced staff who use their expertise and discretion in handling claimant delays or cancellations. According to Manulife, they provide a "full documented guideline" for their Rehabilitation Specialists and Case Managers.

We recognize that certain situations need to be handled on a case-by-case basis considering claimants' unique circumstances. However, we believe that criteria, such as a recommended length of time for scheduling rehabilitation interventions or return to work meetings, can help ensure the return to work process is handled in a timely, consistent and effective manner. Neither the current contract nor the RFP contain specific requirements for claimants' timely participation in rehabilitation or return to work programs.

**Recommendation:**

- 5. City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator requirements to develop and implement specific criteria to help ensure:**
  - a. LTD benefits claimants' timely participation in rehabilitation programs; and**
  - b. Case Managers undertake timely return to work actions during claim management process.**

## **D. Delays in Claim Management Actions**

### **D.1. Delays in Obtaining Medical information to Support Benefits Continuation**

In our review of 40 active LTD claims, we found that in two claims there appear to be delays in Case Managers' actions to obtain medical updates to support the continuation of LTD benefits. A summary of these two cases are provided below.

In one case, Case Manager received an updated medical report from the claimant's attending physician indicating a need for re-evaluating the claimant's health condition in four to six months. Instead of obtaining a medical update from the physician within the suggested timeframe, Case Manager requested a medical update from the physician five months after the six-month timeframe for physician re-evaluation.

In another case, the in-house medical consultant recommended the claimant to participate in a rehabilitation program to support return to work. The claimant declined to participate in the program stating that there was a medical concern requiring surgery. For six months there was no medical evidence to support the claimant's statement. The Case Manager subsequently requested a medical update.

#### ***Delays in obtaining medical support***

In the same case, a similar sequence of events took place several months afterward. There was a delay in the Case Manager's actions to follow up on Manulife in-house physician's recommendation to try modified duty and a delay in obtaining medical update to substantiate the claimant's assertion. It took more than a year for the Case Manager to obtain a medical update to support the continuation of LTD benefits.

In our view, if a claimant refuses to participate in a rehabilitation or a return to work program, it is important to obtain timely medical support to determine how the employee's medical condition will affect his/her ability to return to work.

According to Manulife, it validated that these claims are medically and contractually supported for the duration of the LTD claim.

## **D.2. Delays in Other Claim Management Actions**

### ***Case Managers maintained frequent contact with claimants***

Although Manulife does not have a prescribed policy on the frequency of contacts with claimants, our sample review found that Case Managers in general maintained frequent contacts with claimants throughout the course of the benefits period.

### ***Manulife has a prescribed contact reply guideline***

Manulife has a documented guideline regarding contact reply period. The guideline stipulates that if a claimant cannot be reached or the requested information is not received within a prescribed period, Manulife may suspend the LTD benefits. The guideline also allows Case Managers to use their discretion to determine whether to continue, suspend or terminate a claim.

In our review of the sampled claims, we noted significant delays in case management actions in following case:

### ***Case Manager unable to reach claimant***

For over five months, the Case Manager was unable to reach the claimant. No action was taken by the Case Manager to advise the claimant of potential suspension of benefits. After a time period doubling Manulife's prescribed period for reply, the Case Manager sent a written notice to the claimant advising a possible benefits suspension if the claimant did not call back by a certain date. Claimant called the Case Manager and the LTD benefits continued.

According to Manulife, it validated that this claim is medically and contractually supported for the duration of the LTD claim.

### ***Delay in referring claimant to rehabilitation service***

When a Case Manager determines that a claimant is ready for rehabilitation intervention, the Case Manager should refer the claim to Manulife's National Rehabilitation Services (NRS) to identify rehabilitation potential and design a return to work plan. In one of the sampled cases, we noted that the Case Manager waited for over three months to refer a claimant, who had completed a functional assessment, to the NRS for setting up a rehabilitation program.

According to Manulife, it validated that this claim is medically and contractually supported for the duration of the LTD claim.

*No specific requirements in contract or RFPs pertaining to timely claim management*

The City's current contract with Manulife does not contain specific provisions pertaining to the timeliness of claim management. In the previous and the most recent RFPs, the benefits administrator is required to "ensure timely and effective administration of the LTD Benefits Plans." However, there are no specific provision defining timeliness or effectiveness. In our view, the City can enhance its oversight of LTD claim management by incorporating specific performance measures in the next contract.

**Recommendation:**

- 6. City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator performance measures pertaining to:**
  - a. Acquiring timely medical updates to support continuation of LTD benefits;**
  - b. Timely claim management actions to address claimants' delays in responding to the Administrator's contact; and**
  - c. Timely claim management actions in arranging for rehabilitation activities for claimants.**

**E. The City Should Request Internal Audit Results**

*Internal audit results are not provided to the City*

Manulife has an internal audit process to review a random selection of claims on an ongoing basis. However, it does not provide City staff with the results of such audits because, according to Manulife, they are internal documents and City staff have not requested the information.

*City staff should request internal audit results*

Under the previous and the most recent RFPs, the benefits administrator is required to ensure that the City's reporting requirements and needs are met and provide the information in formats satisfactory to the City. As such, the City should require the next LTD benefits administrator to provide the internal audit results.

**Recommendation:**

- 7. City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator a requirement to provide the City with internal audit results if available. These internal audit results should be reviewed by the appropriate City staff to ensure ongoing compliance with contractual requirements.**

**F. Confirming Physicians' License Status**

*Attending physician statement must be completed by a licensed physician*

When applying for LTD benefits, an employee is required to submit a set of application forms including an Initial Attending Physician's Statement (IAPS) to Manulife. The IAPS provides medical evidence to support the disability claim and must be completed by a licensed physician. Case Managers review the application forms, the IAPS, and other medical information if provided, as part of the claim adjudication process.

*No requirement to verify a physician's active license status*

Our review of Manulife's processes noted that it does not require Case Managers to verify physicians' active license status during a claim assessment.

*The CPSO maintains a public register of every physician in Ontario*

The College of Physicians and Surgeons of Ontario (CPSO) maintains a public register that includes information about every doctor licensed to practice medicine in Ontario. Every physician in Ontario is required to register with the College. The public register contains information of allegations of professional misconduct or incompetence, and results from Discipline Committee Hearings.

Our review of 40 active LTD claims found one case where the attending physician's license was suspended and another case where the physician's license was revoked. For the case where the license was suspended, it is alleged that the physician failed to maintain the standard of practice of the profession in his care of patients, including the physician's conduct with respect to charting. For the case where the license was revoked, in the course of the investigation it was found that the physician failed to meet the standard of practice of the profession and lacked knowledge and judgment in the care and treatment of patients.

***Diagnoses from  
the two  
physicians might  
not be accurate  
or credible***

Although Manulife did not receive medical reports from the two physicians after their licenses had been suspended, based on the reasons for suspensions, there is a possibility that the physicians' diagnoses and assessments previously submitted might not be credible. Given that we reviewed only 40 claims, Manulife might have accepted other claims based on medical information provided by these two physicians. According to Manulife, there were no other LTD claims that were medically supported by the two physicians.

Among the over 1,300 active claims and attending physicians, there could be other physicians whose licenses are no longer active.

A requirement to verify physicians' license status is not contained in the City's current contract with Manulife or RFP requirements.



**Recommendation:**

- 8. City Council request the Treasurer to require the City's Long-Term Disability (LTD) Benefits Administrator to take steps to ensure all active claims are supported by medical information provided by physicians who are licensed to practise medicine in Ontario. Such steps should include but not be limited to:**
- a. Review all active claims and the license status of the physicians and specialists, including the two claims supported by the physicians whose licenses had either been suspended or revoked; and**
  - b. Implement a process to verify physicians' license status during the initial claim assessment. The license verification process should also be conducted on all active claims at least on an annual basis.**

**G. Refund for Duplicated Taxes Since 2003**

*City recovered \$1.8 million from Manulife as a result of Phase One audit*

In reviewing a sample of Manulife monthly billing statements in our Phase One audit, we noted that the City was overcharged for services that were not specified in the contract and bid proposal. As a result, Manulife agreed to refund the City and its agencies and corporations approximately \$1.9 million. The total cost recovery net of tax rebate was approximately \$1.8 million.

*City has been charged HST twice*

One of the audit recommendations from Phase One was to request Manulife to provide the City with supporting documentation such as invoices. In response to our audit recommendation, Manulife provided invoices to City staff to support the monthly billing statements. In reviewing the invoices and monthly statements, we noted that the HST charges for certain external services were embedded in the invoices and in the monthly statements. Consequently, the City was charged duplicated HST on those services.

***Total cost recovery from duplicated tax charges will be approximately \$240,000***

Manulife acknowledged the error. Manulife advised that they have completed a review of all charges to the City dating back to 2003 and as a result would refund the City and its agencies and corporations approximately \$240,000 for overpaid taxes, administration fee and interest. City staff have validated the amount of the refund.

***Total cost recovery to date amounted to \$2 million***

Combining the most recent \$240,000 refund and the \$1.8 million billing error identified in our Phase One audit, the City will recover approximately \$2 million from Manulife as a result of our audit.

**Recommendation:**

- 9. City Council request the Treasurer to ensure the amount of refund received from Manulife in relation to extra tax and administration fee charges for Long-Term Disability benefits administration is complete and accurate.**

---

## **CONCLUSION**

---

***Key findings from a review of 40 claim files***

As part of the Auditor General's Phase Two audit of the City's management of LTD benefits, we reviewed a sample of 40 LTD claim files. This interim report provides our key claim review findings and recommendations.

***Nine recommendations to help strengthen the City's oversight of LTD benefits***

We provide our key claim review findings and recommendations in this interim report such that they can be considered by City staff in developing a new contract with the next LTD benefits administrator. This interim report contains nine recommendations to help strengthen the City's oversight and management of the LTD benefits program.

***Full audit report to be issued in October 2016***

Other results from our Phase Two audit, along with the key claim review results included in this interim report, will be provided in a full audit report to be submitted to the City Audit Committee in October 2016.

**Management's Response to the Auditor General's Review of  
Management of the City's Long-Term Disability Benefits  
Phase Two: Interim Report on the Approval and Monitoring of Claims**

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
1.	City Council request the Treasurer to require the City's Long-Term Disability (LTD) Benefits Administrator to provide up-to-date diagnostic statistics and reports, in aggregate data, to the City reflecting claimants' initial and current primary diagnoses.	X			Q3/Q4 2016 The Director, Pension, Payroll & Employee Benefits will meet with the Benefits Administrator to: <ul style="list-style-type: none"> <li>- Ensure that, where the initial condition has completely resolved and there is a new condition that has emerged as the primary diagnosis, the Benefits Administrator updates the claim records in their system; and</li> <li>- Establish a reporting process where the City is provided with reporting on the aggregate diagnostic trends for the initial and current primary diagnosis on an annual basis.</li> </ul>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
2.	<p><b>City Council request the Treasurer to assess, within the framework of Human Rights and Privacy legislation, the feasibility and appropriateness of requiring the City's Long-Term Disability (LTD) Benefits Administrator to ensure all new mental and nervous disorder claims, and claims in which the diagnoses change to mental health and nervous disorders, are supported by medical reports from specialists (Psychiatrist or Psychologist) prior to or soon after the claim approval to assess claimants' return to work potential and accommodation needs.</b></p>	X		<ul style="list-style-type: none"> <li>• This recommendation will require consideration as to the impacts of delays in initial decisions and claim payments.</li> <li>• The current agreement with the City of Toronto and Manulife does not contemplate a secondary review by specialists for approval on all mental health claims. Will have to consider whether the current model poses sufficient risk to warrant this policy change and consider the potential cost impacts of such a change.</li> <li>• This recommendation will need to be considered in the context of the provisions of Ontario's <i>Human Rights Code</i> and other provincial and federal legislation.</li> </ul>	<p>Q4, 2016 The Director, Pension, Payroll &amp; Employee Benefits, in consultation with the Director of Occupational Health &amp; Safety and Legal Services, will meet with the Benefits Administrator to assess the feasibility, appropriateness and impacts of requiring a specialist report prior to or soon after any claim approval.</p>
3.	<p><b>City Council request the Treasurer to implement adequate steps to ensure that the City's Long-Term Disability (LTD) Benefits Administrator conducts telephone interviews with all LTD benefits claimants' supervisory staff as part of the claim adjudication process.</b></p>	X			<p>Completed, June 2016 Manulife has indicated that the Case Manager is now required to conduct telephone interviews with the appropriate Fire Services Division management staff at the onset of the LTD claim assessment.</p> <p>The Director, Pension, Payroll &amp; Employee Benefits will meet with Manulife to confirm processes are in place to ensure telephone interviews are conducted with all LTD benefits claimants' supervisory staff as part of the claim adjudication process.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
4.	<p><b>City Council request the Treasurer to develop a process whereby the appropriate City staff are informed by the City's Long-Term Disability (LTD) Benefits Administrator of workplace related issues associated with LTD claims and return to work. The workplace related issues should be communicated in a manner that complies with applicable privacy legislation and in a timely manner allowing the appropriate City staff to adequately address the issues and accommodate LTD claimants' needs for returning to work.</b></p>	X		<ul style="list-style-type: none"> <li>• Work related concerns that impact return to work ("RTW") are typically addressed as part of the RTW process. If the only RTW barriers present in a claim are employment issues that do not translate into restrictions and limitations (i.e. there is no disability), a claim would likely be denied.</li> <li>• There is a process currently in place where Manulife will involve both the City's Employee Health Consultant and Division Manager to inform all parties about any issues impacting return to work in order and to ensure the City has the opportunity to accommodate a Plan Members needs for returning to work.</li> <li>• Changes to the form of the consent submitted by employees, which have been secured through the most recent round of collective bargaining, may facilitate increased sharing of such information</li> </ul>	<p>Q4, 2016</p> <p>The Director, Pension, Payroll &amp; Employee Benefits, in consultation with the Director of Occupational Health &amp; Safety, will meet with the Benefits Administrator to:</p> <ul style="list-style-type: none"> <li>- discuss a process where, in appropriate circumstances, Case Managers will provide referral information to Plan Members regarding the City's Human Rights Office to raise issues relating to work related harassment or discrimination complaints, when these issues are raised during the Disability evaluation or case management process.</li> <li>- continue to work through the collective bargaining process to implement a revised Consent form to facilitate the timely exchange of information to enhance the claims management process.</li> <li>- review the current Rehabilitation and Return to Work practices guidelines and policies to ensure they are optimal and consistent with industry best practices, and to ensure they are well understood by all parties. Where appropriate, consider changes to the LTD Plan, contract and policies to ensure they are aligned with industry best practices.</li> <li>- discuss the introduction of mechanisms to further facilitate, in a manner consistent with the employee's consent submitted as part of the application for LTD benefits, the sharing of appropriate information with City management in order to facilitate the employee's quick and safe return to work and to permit group benefits plan administration, audit, and the assessment, investigation and management of my claim, including independent medical assessments.</li> </ul>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
5.	<p><b>City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator requirements to develop and implement specific criteria to help ensure:</b></p> <p><b>a. LTD benefits claimants' timely participation in rehabilitation programs; and</b></p> <p><b>b. Case Managers undertake timely return to work actions during claim management process.</b></p>	X		<ul style="list-style-type: none"> <li>Manulife currently has established guidelines in place to address compliance in rehabilitation programs.</li> </ul>	<p>Q3/Q4, 2016</p> <p>The Director, Pension, Payroll &amp; Employee Benefits will meet with the Benefits Administrator to review the current Rehabilitation and Return to Work practices guidelines and policies to ensure they are optimal, consistent with industry best practices, and that Case Managers:</p> <p>a) follow standards and escalations processes where suggested rehabilitation cannot be completed, and</p> <p>b) follow standards and timelines for return to work actions.</p> <p>The Director, Pension, Payroll &amp; Employee Benefits and Director, Occupational Health &amp; Safety will continue discussions that commenced in October 2015 to review the Rehabilitation policies and procedures, and conduct regular meetings to review active and potential rehabilitation claims to discuss RTW potential, job search opportunities and other known barriers to progressing case management plans.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
6.	<p><b>City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator performance measures pertaining to:</b></p> <p><b>a. Acquiring timely medical updates to support continuation of LTD benefits;</b></p> <p><b>b. Timely claim management actions to address claimants' delays in responding to the Administrator's contact; and</b></p> <p><b>c. Timely claim management actions in arranging for rehabilitation activities for claimants.</b></p>	X		<p>It is not always reasonable or appropriate to follow a prescribed approach to obtaining medical updates or to address claimants' delays in responding to the Administrator and this will need to be considered when developing performance measures.</p> <p>At present the City has issued an RFP for the provision of these services to which the industry has responded. A report is being made to Council in July recommending the appointment of a Benefits Administrator, pursuant to that process. To the extent that the process, as it exists, permits the implementation of this recommendation, City staff will meet and consult with the successful proponent, following Council approval.</p>	<p>Q3/Q4, 2016</p> <p>The Director, Pension, Payroll &amp; Employee Benefits, in consultation with the Director, Occupational Health &amp; Safety, will meet with the Benefits Administrator, secured through the City's RFP process, to document:</p> <p>a. processes and timelines for providing medical updates to support continuation of LTD benefits.</p> <p>b. processes and timelines for actions where claimants delay in responding to contacts, and</p> <p>c. processes and timelines for arranging rehabilitation activities</p>
7.	<p><b>City Council request the Treasurer to review the need and consider incorporating into the new five-year contract with the City's Long-Term Disability (LTD) Benefits Administrator a requirement to provide the City with internal audit results if available. These internal audit results should be reviewed by the appropriate City staff to ensure ongoing compliance with contractual requirements.</b></p>	X			<p>Q3/Q4, 2016</p> <p>The Director, Pension, Payroll &amp; Employee Benefits will meet with the Benefits Administrator to determine whether internal audit results are collected, (or might be collected), in a manner that would allow the Benefits Administrator to segregate and share City of Toronto results and, if so, whether the sharing of results necessitates contractual changes.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
8.	<p><b>City Council request the Treasurer to require the City's Long-Term Disability (LTD) Benefits Administrator to take steps to ensure all active claims are supported by medical information provided by physicians who are licensed to practise medicine in Ontario. Such steps should include but not be limited to:</b></p> <p><b>a. Review all active claims and the license status of the physicians and specialists, including the two claims supported by the physicians whose licenses had either been suspended or revoked; and</b></p> <p><b>b. Implement a process to verify physicians' license status during the initial claim assessment. The license verification process should also be conducted on all active claims at least on an annual basis.</b></p>	X			<p>Manulife has advised the Director, Pension, Payroll &amp; Employee Benefits that they have completed a review of the claims and documentation from the 2 physicians in question and that the status of their license subsequent to their diagnoses, did not have an impact on the initial or ongoing decisions on these claims. In both cases, there was no medical information provided after the change in status to their license, and in both cases, there were multiple physicians and healthcare providers involved in the Plan Members care.</p> <p>a) Q3 2016 The Director, Pension, Payroll &amp; Employee Benefits will confirm that Manulife has reviewed the entire active block of claims to consider license status of all physicians and specialists.</p> <p>b) Q3 2016. The Director, Pension, Payroll &amp; Employee Benefits will confirm that the Benefits Administrator has implemented a process to verify license status during the initial claim assessment, as well as a review on an annual basis.</p>



Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
9.	<p><b>City Council request the Treasurer to ensure the amount of refund received from Manulife in relation to extra tax and administration fee charges for Long-Term Disability benefits administration is complete and accurate.</b></p>	X			<p>Q3 2016</p> <p>Manulife has completed a review of the charges back to January 2003 and have provided the City with information indicating there is an overpayment of approximately \$240,000</p> <p>This information is currently being reviewed by Accounting Services to ensure the amount is complete and accurate.</p> <p>It is anticipated this matter will be resolved and a credit provided to the City by September 1, 2016.</p>