

# Management of the City's Employee Extended Health and Dental Benefits, Phase One

## The Need to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims

Audit Committee Meeting

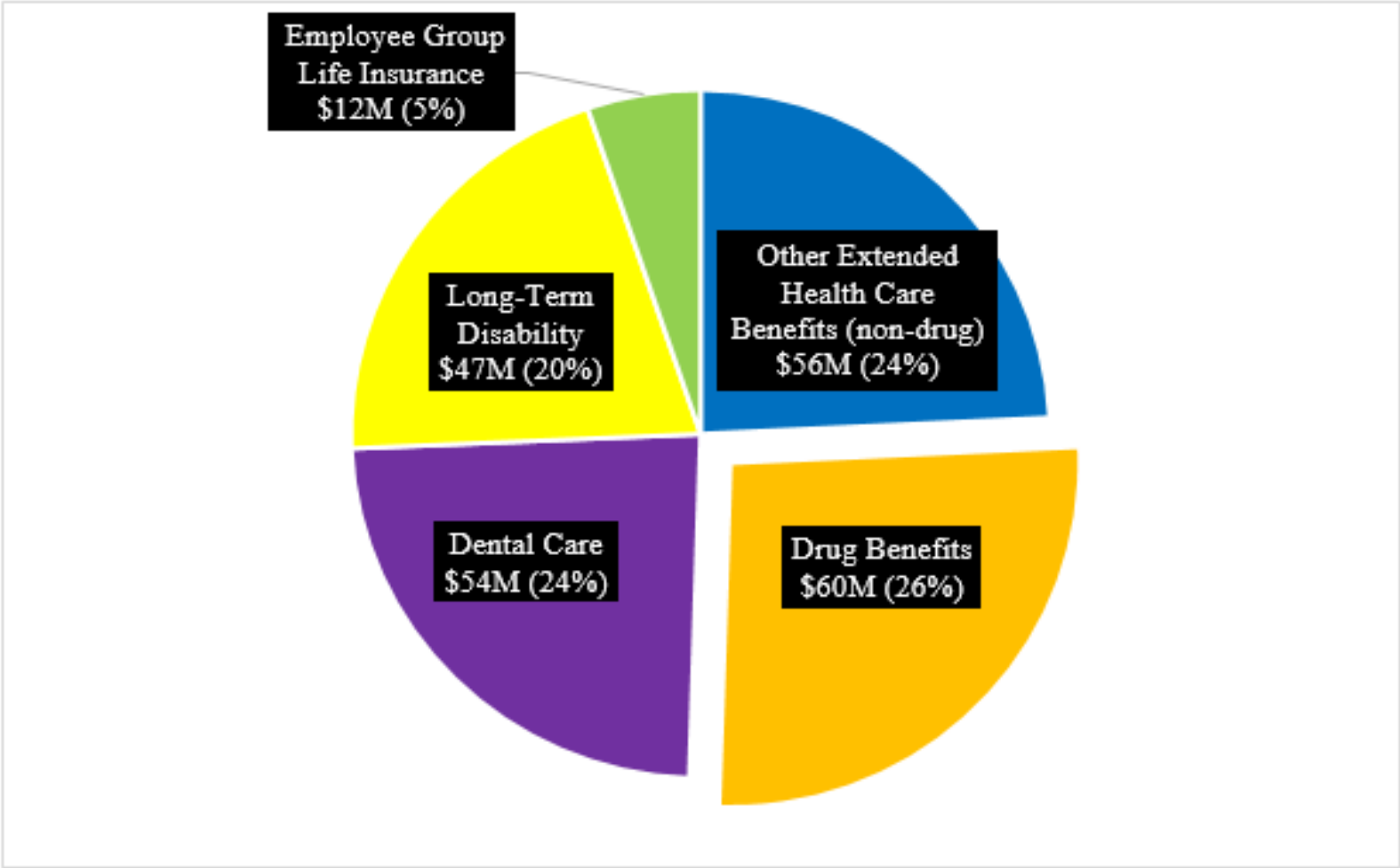
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# Percentages Spent on Various Benefit Cost Categories in 2015

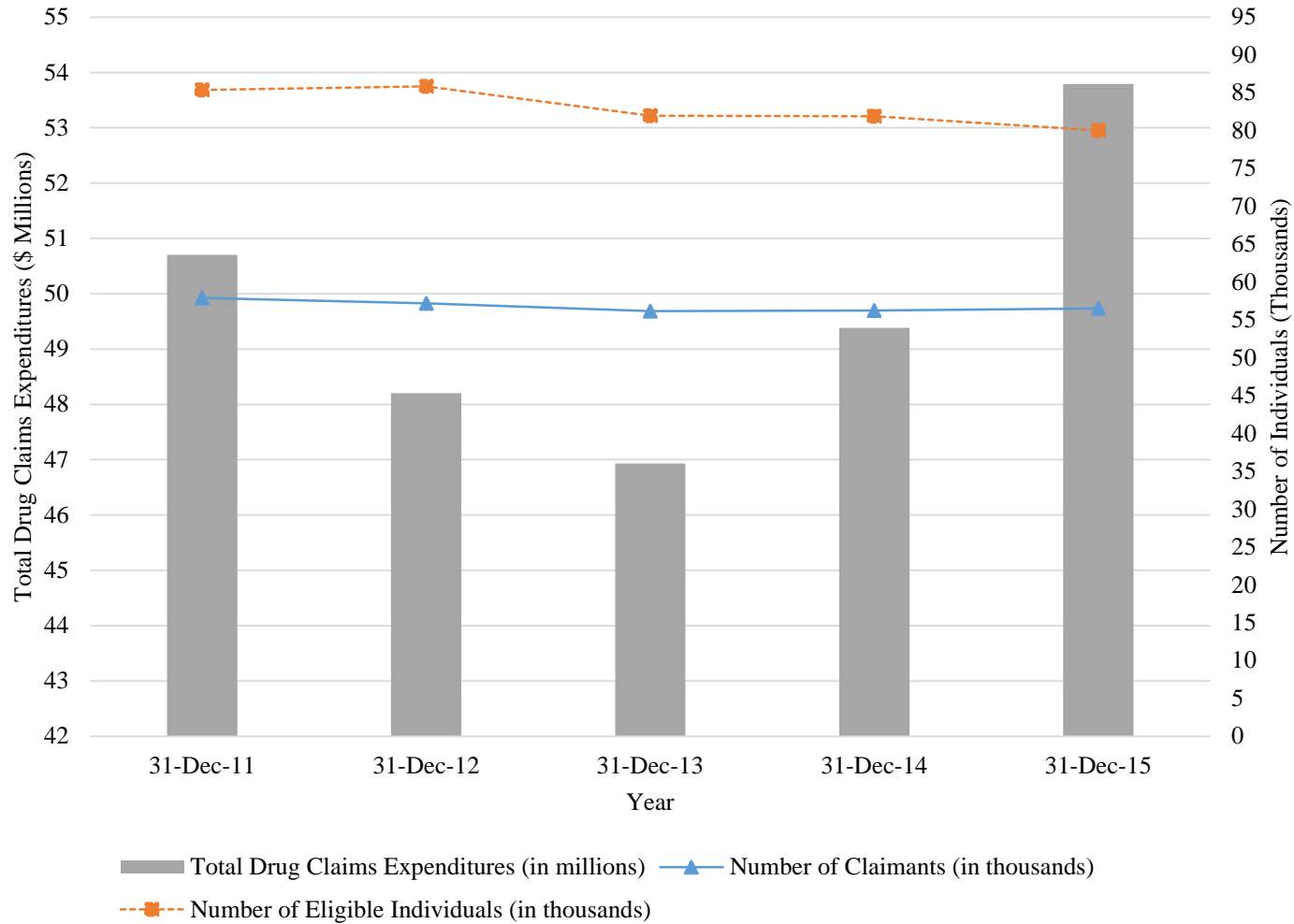


Source: Administrative Services Only (ASO) Report (2015) provided by City of Toronto Staff

# Cost of Drug Benefits

- \$60 million in drug benefits in 2015:
  - \$54 million for drug claim expenditures
  - \$6 million for taxes and administrative fees
- Five-year period - 2011 to 2015
- Drug expenditures exceed \$250M

# Drug Claims Expenditures (excluding taxes and administrative fees), Number of Claimants, and Number of Eligible Individuals



Source: City's Payroll and Employee Benefits Division and Annual ASO Statements for 2011 to 2015

# Number of Individuals with Benefits Coverage for Year 2015

Employees

- 25,506

Spouses/ Dependents

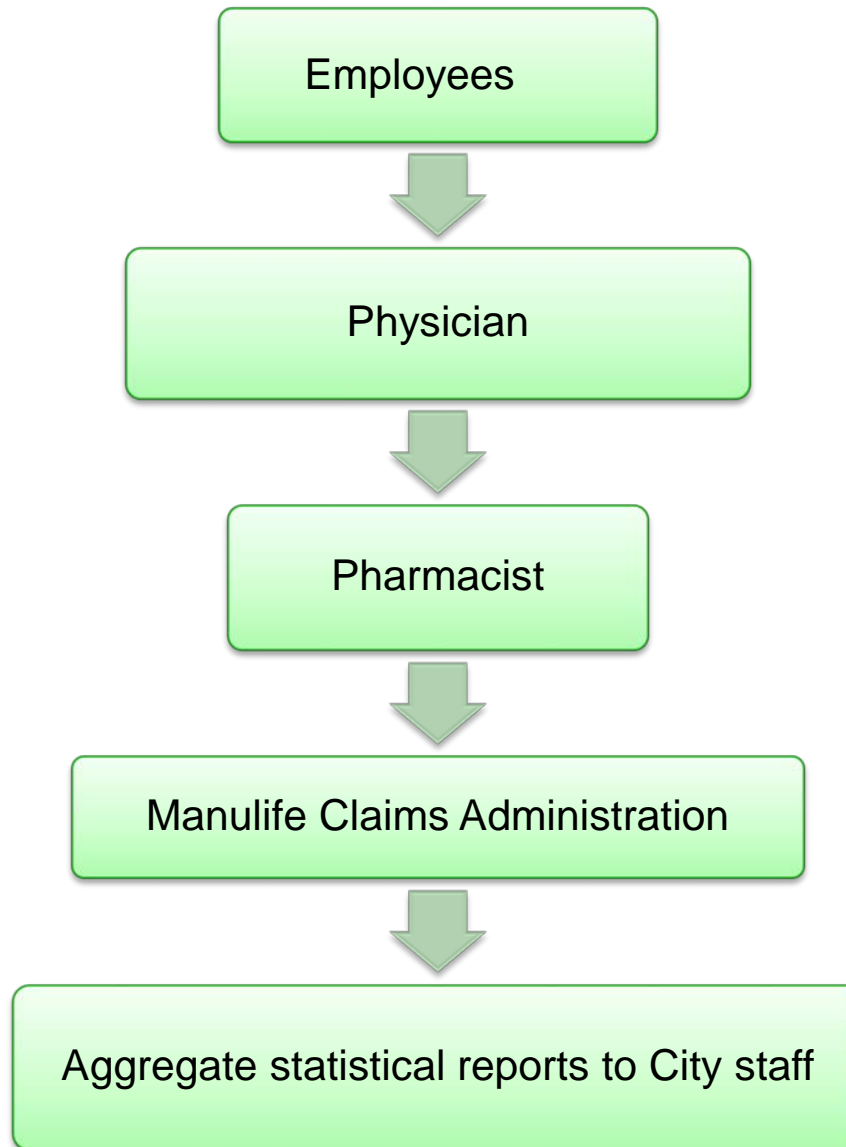
- 45,428

Retirees

- 9,125

**Total 80,059**

# Flow Chart of Key Stakeholders



# Phase 1 Audit Objective

To assess whether the City's Pension, Payroll and Employee Benefits Division (PPEB) has effective systems and procedures in place to:

- Manage employee drug benefits in a cost effective manner;
- Ensure the City receives effective and timely claims administrative services for drug benefits; and
- Monitor the benefits plan administrator's performance for effectiveness and compliance with the contract.

➤ 18 recommendations

➤ Management agreed with all recommendations

# Audit Methodology and Scope

- Analysis of claims data from January 2013 to December 2015
- Claims data provided to the City by Manulife
- Further review will be conducted after gaining access to claim records



# Three categories of findings

1. Plan Design

2. Oversight of Claims Processing

3. Billing Verification

# 1. Better Plan Design

such as setting a yearly maximum cost or quantity cap for certain drugs including Erectile Dysfunction (ED) Drugs

## Examples of commonly used ED drugs

Drug Name	Drug Administration	Duration of Drug Effectiveness	Yearly quantity based on maximum recommended dosing frequency by drug monograph	Average Cost per Tablet
<b>Cialis (once-a-day)</b>	Daily-Use	Continuous up to 24 hours	365	\$5
<b>Cialis</b>	On-Demand	Up to 36 hours	Not recommended for continuous daily use	\$18
<b>Viagra</b>	On-Demand	Up to 4 to 5 hours	365	\$11

# 1. Plan Design / 2. Claims oversight

## Erectile Dysfunction (ED) Drugs

- No maximum coverage limit for ED drugs
- \$1.9 million in 2015
- 37 claimants each had > \$3,000 in 2015; 5 were over \$5,000 each
- 16 claimants each had > 13 months of once-a-day ED drug in a year
- 65 claimants each had between 180 to > 360 tablets of on-demand ED drugs in a year
- \$750,000 annual cost savings if a \$500 annual limit is established

# 1. Plan Design

## Over-the-Counter (OTC) Drugs

- \$189,000 for OTC drugs reimbursement in 2015
- 67% or \$125,000 of annual reimbursement for OTC drugs was for dispensing fees alone
- The City could save ~ \$125,000 annually by developing ways to reimburse OTC drug claims without incurring dispensing fees
- ~\$64,000 of OTC drugs reimbursed do not appear to have life sustaining purposes

## 2. Claims Oversight - Controlled Substances

Drug Class	Examples of Drug	Average Annual Benefits Cost
<b>Opioid pain reliever</b>	Methadone, Oxycodone, Fentanyl	\$1.93 million
<b>Sedatives</b>	Benzodiazepines: Clonazepam, Ativan  Non-benzodiazepine: Imovane, Barbiturates	\$515,790
<b>Stimulants</b>	Ritalin	\$680,954

## 2. Claims Oversight - Controlled Substances

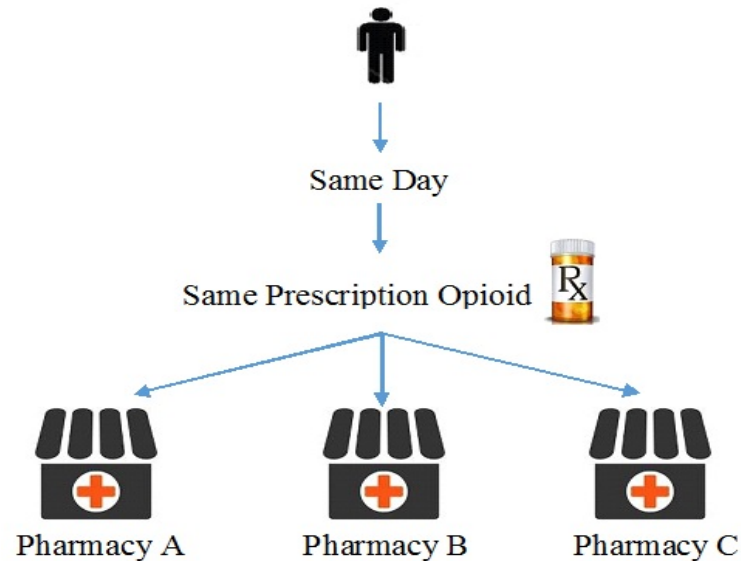
Between 2013 and 2015:

- 16 claimants had an equivalent of 2 to 5 years' supply of oxycodone in at least 1 year
- 32 claimants had an equivalent of 19 months to 6.7 years' supply of Fentanyl patches in at least 1 year
- 44 claimants had an equivalent of 2 to 6 years' supply of prescription sedatives in at least 1 year

# Examples of 'Red Flags'

## Unusual Claims and Dispensing Patterns

– same prescription opioid at different pharmacies on the same day

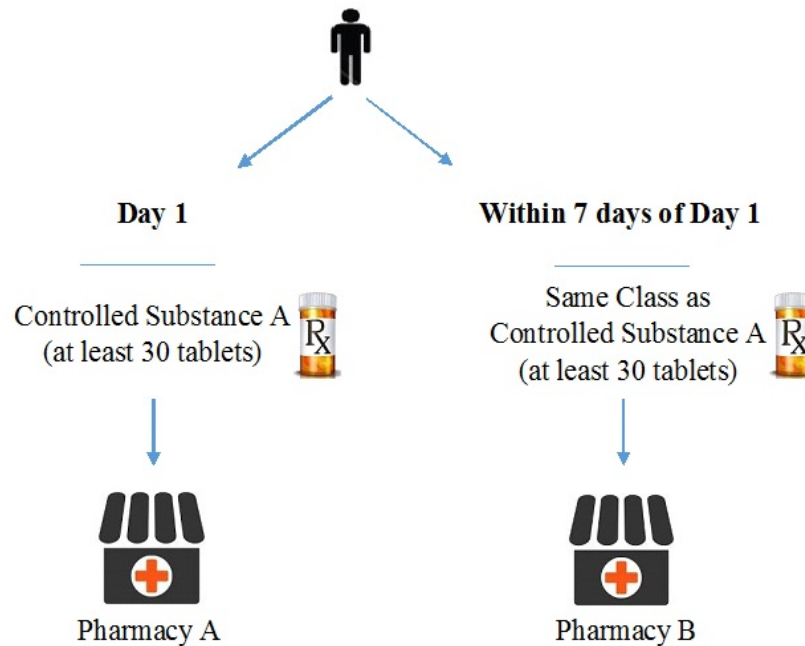


27 claimants fall under the above scenario

# Examples of 'Red Flags'

## Unusual Claims and Dispensing Patterns

– controlled substances dispensed at different pharmacies with 7 days



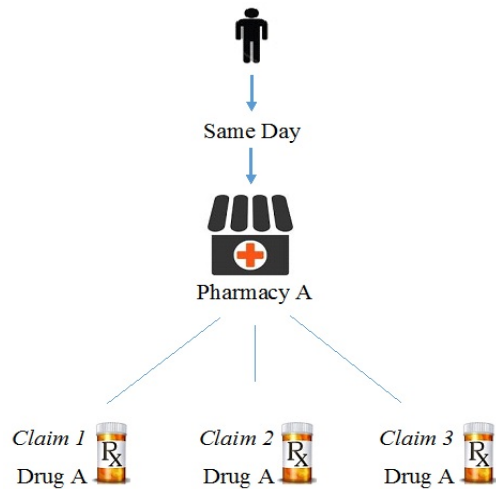
237 claimants fall under the above scenario



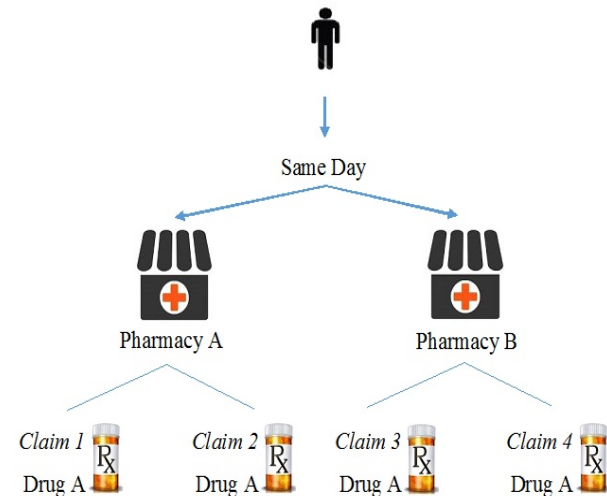
# Examples of 'Red Flags'

## Unusual Claims and Dispensing Patterns

– multiple claims and reimbursement for the same drug on the same day



OR



348 claimants fall under the above scenario

# 3. Billing Verification

## Potential Billing Issues

- \$180,000 potential cost recovery from overpayment of dispensing fee maximum coverage at \$9
- Reversal and offsetting transactions totalling \$2 million are being reviewed and are pending verification

# Conclusion

- 18 recommendations to help improve:
  - management and oversight of drug benefits,
  - prevent and detect misuse of benefits, and
  - identify opportunities for cost savings.
  
- Immediate attention from City staff:
  - potentially excessive claims for controlled substances
  - erectile dysfunction drugs, and
  - unusual claim patterns.
  
- Identified \$0.9 million potential annual savings, \$180,000 potential cost recovery, plus transactions totaling \$2 million are pending verification

# Next Steps

- Further work will be conducted after gaining access to claim records
- A supplementary report may be issued in 2017
- Verify implementation status of recommendations during AGO 2017 annual follow-up process

# Questions??