

## **Supplementary Report to the Auditor General's Phase One Report: "The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims"**

**Date:** June 13, 2017

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### **SUMMARY**

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This report is supplementary to the Phase One audit on employee drug benefits. The Phase One audit report was issued in October 2016. At the time of that audit, the Auditor General was not provided access to claim files and information maintained by Manulife, the then City's benefit administrator. This supplementary report summarizes our review of additional information on anomalies that was provided by Manulife subsequent to the issuance of the Phase One audit report.

Overall, in reviewing a selected sample of cases, we did not find clear signs of double doctoring by the claimants with excessive prescription opioids identified in the Phase One report. However, we observed many probable cases of over-prescription by physicians for fentanyl or oxycodone, resulting in claimants being reimbursed exceedingly high doses.

For claimants who were reimbursed for large quantities of erectile dysfunction drugs, Manulife could not provide further information to explain or validate the medical needs of these claims. Our supplementary work found that 10 claimants appeared to have obtained an excessive quantity of on-demand erectile dysfunction drugs using prescriptions from different physicians. This might be a sign of double doctoring and potential benefits abuse. We also found many cases of unusual claim patterns for this type of drugs.

This report together with the Phase One audit report, provided 25 recommendations to help improve the City's management of employee drug benefits and reduce instances of waste and abuse.

## RECOMMENDATIONS

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The Auditor General recommends that:

1. City Council request the Treasurer to consult with the City's current benefits plan administrator and the appropriate legislative agencies to determine whether the benefits plan administrator should implement a practice of considering reporting to the appropriate regulatory body, physicians or pharmacists who prescribed or dispensed potentially excessive opioids to claimants.
2. City Council request the Treasurer to request the City's benefits plan administrator to provide individual claimants, who exhibit patterns at risk of opioid abuse or addiction, with information about the available employee assistance programs or services.
3. City Council request the Treasurer to clarify with the City's benefits plan administrator its practice of adjudicating erectile dysfunction drugs to identify anomalies such as excessive dosage, significant year-over-year increases, and obtaining multiple types of drugs at the same time.
4. City Council request the Treasurer to follow up on the claimants identified in this supplementary report whose claims for erectile dysfunction drugs appeared to be questionable and to determine whether there was waste or abuse of employee drug benefits by these claimants.
5. City Council request the Treasurer to ensure that the City's benefits administrator records the necessary prescriber and pharmacy information from paper claims, and has in place effective monitoring and tools for analysis of claim patterns accounting for both electronic and paper submissions.
6. City Council request the Treasurer to put in place a written policy and procedure on granting of exception cases for employee drug benefits. The reason, the specific drug, and period in effect should be documented and retained.
7. City Council request the Treasurer to clarify with the City's benefits plan administrator its practice of reimbursing dispensing fees for vacation supply to ensure it is consistent with the City's benefits plans.
8. City Council request the City Manager to forward a copy of the audit report to the Toronto Police Services Board and the Toronto Transit Commission Board for their information.

## FINANCIAL IMPACT

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Implementation of the recommendations in this report will improve management of the employee drug benefits and reduce instances of waste and abuse. These will potentially result in future cost savings, but the amount is not determinable at this time.

## DECISION HISTORY

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The City of Toronto provides extended health and dental care coverage to its employees and retirees, as well as to their spouses and eligible dependents in accordance with collective agreements and City policies. Over the five-year period from 2011 to 2015, the City spent, in total, more than a quarter of a billion dollars for drug benefits.

The Auditor General's 2016 Audit Work Plan included a review of the City's Processing and Management of Dental and Health Benefits Claims. The audit was divided into separate phases. The Phase One report, issued in October 2016 focused on the drug claims, and the Phase Two report, issued in March 2017 focused on non-drug claims under the City's employees extended health care benefits program. Both reports can be found in the following links:

<http://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-97612.pdf>  
<http://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-102168.pdf>

Manufacturers Life Insurance Company (Manulife) was the City's benefit plan administrator for the period under the audit. As the City's benefits administrator, Manulife acted as the City's "agent" in adjudicating and monitoring employee benefits claims under an Administrative Services Only (ASO) contract. The City paid for the benefit claims costs, along with a benefit administration fee to Manulife.

The City's Pension, Payroll and Employee Benefits Division (PPEB) is responsible for oversight of the employee benefits program but its staff are not involved in claims adjudication or monitoring processes.

## COMMENTS

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This report presents the results of our review of specific claim files at Manulife's premises and review of additional claim information provided by Manulife on the key anomalies identified in the Phase One report. In our supplementary work, we reviewed the additional information provided to us (e.g. physician identification numbers and days' supply for the dispensed drugs) as well as supporting documents (e.g. drug receipts) maintained by Manulife. We discussed our observations with Manulife staff and had consultations with a medical specialist, pharmacists, staff of the Ontario Pharmacists Association's Drug Information and Resource Centre, the College of Physicians and Surgeons of Ontario, the Ontario College of Pharmacists, and Toronto Public Health.

Since we did not have access to medical records or physician prescriptions (which are held by the dispensing pharmacies), this limited our ability to further investigate the legitimacy of questionable claims.

Our supplementary review noted many instances of potential over-prescribing of opioids such as fentanyl and oxycodone. Recent research in Ontario has shown an unfolding opioid crisis and increasing trend of opioid prescriptions over the last three years, and clearly demonstrated the risk of opioid over-prescription leading to addictions and

overdoses. The City should request its benefits plan administrator to monitor and detect potential cases of opioid over-prescription among City plan members, and where appropriate, report these cases to the appropriate regulatory body.

In the Phase one report, we had identified claimants with large quantities of erectile dysfunction drugs. Manulife was unable to provide additional information to explain or validate the medical needs for these claimants. From our supplementary work, we identified 10 claimants who appeared to have obtained an excessive quantity of this type of drug from different physicians. This might be a sign of double doctoring and potential benefits abuse. We have recently referred these cases along with other unusual claims for this type of drugs to the City's management staff for follow up.

The audit report, entitled "Supplementary Report to the Auditor General's Phase One Audit on Management of the City's Employee Drug Benefits" is attached as Attachment 1. Management responses to recommendations contained in the audit report are also included in the same attachment.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Supplementary Report to the Auditor General's Phase One Report: "The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims"