TORONTO

REPORT FOR ACTION

Update on AU7.2 PPEB Audit Recommendations

Date: June 13, 2019
To: Audit Committee
From: Controller
Wards: All

SUMMARY

The purpose is to provide an update of the Pension, Payroll and Employee Benefits Audit recommendations related to items 3, 7 and 15 of report AU7.2 Management of the City's Employee Extended Health and Dental Benefits, Phase One: The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims.

RECOMMENDATIONS

The Controller recommends that:

1. The Audit Committee receive this report for information.

FINANCIAL IMPACT

There is no financial impact as a result of this report.

The Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

The Audit Committee at its meeting on May 3, 2019, requested the appropriate City staff to attend the June 28, 2019 Audit Committee meeting to report on the outstanding Pension, Payroll and Employee Benefits Recommendations 3, 7 and 15.

The recommendations along with Pension, Payroll and Employee Benefits updates are as follows.

Recommendation 3

City Council request the Treasurer to undertake necessary steps to ensure the City's benefits plans are cost-effective and follow industry standards and best practice, including but not be limited to:

a. consultation, on a regular basis, with industry experts and the new plan administrator to identify industry standards and acceptable practices for drug benefit coverage limits, particularly in areas where utilization by the City's members is significantly higher than industry standards or benchmarks; and

Update: The City engaged an external Benefits Consulting Firm to conduct a Benefits Diagnostic Report by Affiliation. These reports have been shared with Labour Relations and will be referenced during the upcoming CUPE 79 and CUPE 416 bargaining. This will be augmented by in-house survey of market comparators.

b. recommending reasonable maximum plan coverages for the appropriate drugs with consideration for special circumstances.

Update: Recommendations put forth during 2018-2019 collective bargaining process.

Recommendation 7

City Council request the Treasurer to ensure the City only reimburses over-the-counter drug claims in accordance with City policies and to ensure cost effective reimbursement of over-the-counter drug claims. Steps should be taken but not be limited to:

a. following up with Manulife to validate the eligibility of over-the-counter drug claims to ensure they meet the life sustaining requirements in the City's policies and recover any ineligible amounts paid;

Update: This has been addressed with prior benefits plan administrator and the issue resolved.

b. ensuring the new plan administrator has a process in place to obtain evidence of life sustaining purpose when reimbursing over-the-counter drugs in accordance with City policies; and

Update: The new plan provider verified their rule based system has been programmed to allow for predefined life sustaining over the counter drugs to be processed and provided. Additions would be at the direction of the City.

c. working with the new plan administrator to develop ways to minimize the cost of dispensing fees for eligible over-the-counter drug claims

Update: Explored issue with new plan administrator. Based upon the current plan design and collective agreement restrictions a maximum is already in place. Additional maximums specific to eligible over the counter drug claims may be addressed within a Preferred Provider Agreement(s).
Current Preferred Provider Agreement expires in October 2019 and PPEB is currently preparing to launch an ROI for Preferred Provider(s).

Recommendation 15

City Council request the Treasurer to undertake a review of the City's records of eligible individuals for health benefits coverage to ensure accurate and complete information in the City's system. A review of the health benefit claim histories should be conducted on individuals with questionable or missing dates of birth. Where claim reimbursements were made for ineligible individuals, steps should be initiated to recover overpayments.

Update: Review of SAP employee enrolment data was conducted and reconciled.

Claims history were not available due to privacy.

The City implemented monthly benefit enrolment audits to identify and update any input oversights in a timely manner.

PPEB is also working on assessing effectiveness of current controls and validations to ensure more effective eligibility administration and strengthened controls.

The following is the link to the May 3, 2019 Committee report.
https://www.toronto.ca/legdocs/mmis/2019/au/bgrd/backgroundfile-132162.pdf

COMMENTS

At the time Audit 7.2 "Management of the City's Employee Extended Health and Dental Benefits, Phase One: The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims" was conducted the City's Health and Dental benefits were administered by a different benefits carrier.

Effective January 1, 2017 Green Shield Canada (GSC) commenced the administration of the City's Health and Dental benefits. GSC was awarded the contract based upon their strong systems, reporting and fraud controls.

The impact of the GSC controls were realized within the first year with an overall reduction in claim costs of $18M.

CONTACT

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SIGNATURE

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