REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Pension, Payroll and Employee Benefits Update Regarding October 23, 2020 Audit Committee Reports on Employee Health and Dental Benefits

Date: February 1, 2021
To: Audit Committee
From: Controller
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report contains advice on labour relations.

SUMMARY

On October 23, 2020, the Audit Committee reviewed and amended two items, Item 2020.AU6.1, Employee Health Benefits Fraud Involving a Medical Spa and Item 2020.AU6.4, Continuous Controls Monitoring Program: Opportunities to Reduce Cost of Dental Benefits. Both items were considered by City Council on October 27, 28, and 30, 2020.

During the review of the Order Paper on October 27, 2020, City Council adopted procedural motions to remove both items from the Audit Committee and bring it forward to City Council for consideration which were carried.

City Council subsequently adopted both items without amendments. This report responds to the motions by providing the status of each of the recommendations within the October 23, 2020 Audit Committee reports referenced above.

RECOMMENDATIONS

The Controller recommends that:

1. City Council direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains advice on labour relations.

FINANCIAL IMPACT

The 2021 costs of $578,461 for the engagement of Benefits Consulting Services has been included in the 2021 Staff Recommended Operating Budget of the Office of the Controller for Council consideration.

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

DECISION HISTORY

On October 27, 28, and 30, 2020 City Council adopted Item AU6.1, Employee Health Benefits Fraud Involving a Medical Spa and Item AU6.4, Continuous Controls Monitoring Program: Opportunities to Reduce Cost of Dental Benefits regarding Finance and Treasury Services, Pension Payroll and Employee Services Auditor General recommendations.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU6.1
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU6.4

COMMENTS

The following are the Finance and Treasury Services, Pension Payroll and Employee Services responses to the October 27, 28 and 30, 2020 Council adopted items.

The Director, Pension, Payroll and Employee Benefits reviewed all eleven recommendations within Item AU6.1, Employee Health Benefits Fraud Involving a Medical Spa and Item AU6.4, Continuous Controls Monitoring Program: Opportunities to Reduce Cost of Dental Benefits.

Of the eleven recommendations:

- Five (5) are completed
- Four (4) have labour relations impacts (see Confidential Attachment 1)
- Two (2) are in progress

Finance and Treasury Services **Pension, Payroll and Employee Benefits** **Item AU6.1, Employee Health Benefits Fraud Involving a Medical Spa**		
1	City Council direct the City Manager to provide an update on actions taken related to the report (October 14, 2020) from the Auditor General, including any referrals that are made to other agencies and regulatory bodies.	The Division believes this recommendation to be implemented. The City's Health and Dental Benefits Provider issued letters of concern to the Ontario College of Physicians and Surgeons, as well as the Ontario College of Nurses.
2	City Council request the Director, Pension, Payroll and Employee Benefits and Green Shield Canada, to implement training for staff around the issue of health benefits fraud; and this should be recurring and updated as the nature of common types of fraud evolve.	The Division believes this recommendation to be implemented. The Director Pension, Payroll and Employee Benefits will be holding a semi-annual Benefits Education Week. In 2021 these are scheduled for April and August. All sessions will be underpinned with messaging regarding benefit fraud, employee responsibility and the potential ramifications of misuse of City benefits. Benefits Summaries posted on the PPEB On Line intranet site include Fraud language since Q1 of 2020. The language lists the types of benefit abuse and the potential ramification.
3	City Council request the Director, Pension, Payroll and Employee Benefits to undertake extra verification procedures to examine health claims coming from health spas	The Division believes this recommendation to be implemented. The City's Health and Dental Benefits Provider confirmed extra checks are in place for health claims originating from Health Spas. This includes extra screening on medial related claims.

Finance and Treasury Services Pension, Payroll and Employee Benefits Item AU6.4, Continuous Controls Monitoring Program: Opportunities to Reduce Cost of Dental Benefits		
1	City Council request the City Manager to forward the report (October 8, 2020) from the Auditor General, on an as needed basis, to selected Agencies and Corporations and request that they review and consider implementing similar controls recommended in this report that are relevant to their respective organizations.	The Division believes this recommendation to be implemented. The report was forwarded to all City ABC's including the TTC and TPSB. In addition, the City hosted a WebEx information session on December 7th to address any questions arising from the report. Representatives from the majority of the City's ABCs, which included TTC and TPSB, participated in the event.
2	City Council request the Controller, in consultation with the Benefits Plan Administrator, the Chief People Officer, and the City Solicitor, to undertake a review of dental benefit plan coverages and industry standards and best practices to consider opportunities for changes to the City's coverage to provide cost effective dental benefits; and a process should be established for: a. consultation, on a periodic basis, with industry experts and the Benefits Plan Administrator to identify industry standards and acceptable practices for dental benefits coverage limits, particularly in areas where use by the City's plan members is significantly higher than industry standards or benchmarks; and b. recommending reasonable maximum plan coverages for the appropriate services, such as the benchmark averages provided by the Benefits Plan Administrator and examples provided by the Auditor General; consideration for special circumstances should be provided, where necessary; and the identified cost saving opportunities should also be considered for other benefit plans and implemented across	The Division believes this recommendation to be implemented. In 2019 a benefits diagnostic review was conducted by an external Benefits Consulting agency on behalf of Pension, Payroll and Employee Benefits (PPEB). The resulting report, previously shared with the AG Office, was referenced when formulating the benefits strategy as part of 2019/2020 Collective Bargaining. In 2021, PPEB will be engaging our Benefits Consulting vendor on this issue. In addition, PPEB will table the recommended plan modification for discussion at the Joint Union Benefits Committees which will include a representative of the Chief People Officer.

	the City and its Agencies and Corporations.	
3	City Council request the Controller, in consultation with the Benefits Plan Administrator, to review the identified exceptions and select the instances (outliers) that require a detailed review, including obtaining records from the service providers. Results of the review to be documented for corrective actions. These actions may include: a. recovery of cost where applicable; b. communicating instances with practitioners/service providers and patients; and c. identifying potential new systematic controls and developing management information reports for ongoing monitoring; and any findings and realized savings should be documented to inform future Benefit Plan design.	The Director Pension, Payroll and Employee Benefits on behalf of the Controller and in consultation with the Benefits Plan Administrator are currently working on this recommendation. The Benefit Plan Administrator is currently reviewing the exceptions and outliers identified within the AG Dental Audit. At this time there are either no files of concern to report or responses are still outstanding. As part of this review the Benefits Plan Administrator, as per their Audit process confirms that: • a recovery of costs will be initiated • if further action with the dental association is required, a detailed file for consideration will be sent to the City. The file will outline any issues uncovered as part of the review; billing practices etc. • there are already Audit controls in place, in addition they utilize AI systems to monitor dental providers.
4	City Council request the Controller, in consultation with the Benefits Plan Administrator, to develop an information guide and online training for plan members to understand their dental plan coverage and common dental treatment services and related fees. Plan members should be advised to review and assess the fees charged for their services at the time of each visit.	The Director Pension, Payroll and Employee Benefits on behalf of the Controller are developing a dental information guide and on-line training sessions. A Virtual Dental Benefits Seminar will be hosted by PPEB the week of April 12. The City's Benefits Plan Administrator will provide an overview the Dental Benefits, the City Plan and address FAQ's. The session will be recorded and available for employees to review on demand.

CONTACT

Hatem Belhi, Director, Pension, Payroll and Employee Benefits, 416-397-4143, hatem.belhi@toronto.ca

SIGNATURE

Andrew Flynn
Controller

ATTACHMENTS

Confidential Attachment 1 - Finance and Treasury Auditor General Recommendations Regarding Benefits Fraud Involving a Medical Spa and Continuous Controls Monitoring Program: Opportunities to Reduce Cost of Dental Benefits