

**AUDIT
AT A GLANCE****WHY THIS AUDIT MATTERS**

The City paid \$60 million for drug benefits in 2015. Over five years from 2011 to 2015, the City spent more than a quarter of a billion dollars for drug benefits. According to the Canadian Centre on Substance Abuse, prescription opioid pain relievers, sedatives, and stimulants are the three classes of controlled substances most commonly misused and have high tendencies for abuse and diversion. Proper oversight of drug benefits is imperative.

BACKGROUND

The City pays for extended health and dental benefits coverage to its employees, retirees, their spouses and eligible dependents. In 2015, 80,059 individuals were eligible for the City's health benefits. Manufacturers Life Insurance Company (Manulife) is the City's current benefits administrator, which acts as the City's contracted agent in processing and adjudicating employee benefits claims under an Administrative Services Only (ASO) contract. Phase One of the audit focused on drug benefits, and Phase Two will focus on other extended health benefits including hospital, vision, and out-of-country medical.

BY THE NUMBERS

- \$60 million for drug benefits in 2015
- \$3 million annually for prescription opioids, sedatives and stimulants
- \$1.9 million for erectile dysfunction drugs in 2015
- 18 recommendations from Phase One audit
- Identified cost savings opportunities totalling over \$0.9 million annually, and \$180,000 potential cost recovery
- Reversal and offsetting transactions totalling \$2 million are being reviewed and pending verification

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****What we found**

Based on the analysis of claims reimbursement data from 2013 to 2015, the audit identified the following instances of potentially excessive claims and reimbursement, and unusual claim patterns that require further follow-up:

Controlled Substances

- 16 claimants had an equivalent of two to five years' supply of oxycodone in at least one year.
- 32 claimants had an equivalent of 19 months to 6.7 years' supply of Fentanyl patches in at least one year.
- 44 claimants had the equivalent of two to six years' supply of prescription sedatives in at least one year.

Erectile Dysfunction Drugs

- The City has no maximum coverage limit for this type of drug.
- 37 claimants were each reimbursed over \$3,000 in 2015.
- Five were each reimbursed over \$5,000 in 2015.
- Annual cost savings of about \$750,000 could be realized if a \$500 annual benefits limit is established for this type of drug.

Unusual Claims and Dispensing Patterns

- 27 claimants were dispensed the same prescription opioid at different pharmacies on the same days.
- 237 claimants made a second drug claim for a controlled substance at a different pharmacy within 7 days of an earlier claim for the same class of drug. Both claims were for at least 30 tablets.
- 348 claimants were reimbursed for the same drug multiple times on the same dispensing days.

Over-the-Counter (OTC) Drugs

- About \$64,000 of OTC drugs that do not appear to have life sustaining purposes were reimbursed.
- 67 per cent of reimbursement for OTC drugs was for dispensing fees alone. The City could save approximately \$125,000 annually by developing ways to reimburse OTC drug claims without incurring dispensing fees.

How Recommendations will Benefit the City

Implementation of the 18 recommendations in the report can help improve the City's management and oversight of drug benefits, prevent and detect misuse of benefits, and identify opportunities for cost savings.