



***Long Term Disability Management &
Oversight Audit Report
Corporate Services
Human Resources Branch***

November 2021

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TABLE OF CONTENTS

Section	Page No.
1.0 MANAGEMENT SUMMARY	3
2.0 INTRODUCTION.....	3
3.0 OBJECTIVES, SCOPE AND METHODOLOGY	5
4.0 DETAILED OBSERVATIONS	6
4.1 PAYMENT PROCESS	6
4.2 SUPERVISOR RESPONSIBILITIES – GUIDELINE & TRAINING	7
4.3 POLICIES & PROCEDURES	8
4.4 PROGRAM MANAGEMENT & REPORTING	8
4.5 CLAIM ADMINISTRATION PROCESS	10
4.6 STRENGTHENING CONTRACT PROVISIONS/OVERSIGHT/MANAGEMENT	12
4.7 RESULTS OF DETAILED TESTING – INTERNAL CASE MANAGEMENT.....	14
4.9 LONG DURATION CLAIM MANAGEMENT.....	17
4.10 OVERPAYMENTS TO CLAIMANTS.....	19

1.0 Management Summary

Audit Services has completed an audit of Long-Term Disability (LTD) management and oversight within the Human Resources branch of the Corporate Services department. The objectives of the review were: to provide assurance on the adequacy and effectiveness of controls in place to properly manage the LTD program, including the Region's benefits administrator (Sun Life) contract and overall claim management; to determine if the existing LTD program structure aligns with the overall program objectives and industry best practices; and to evaluate compliance with applicable policies and procedures.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Based on the work performed, opportunities exist for control and process improvements within the administration and management of the LTD program. These control and process improvements have been noted and discussed in the body of this report. These opportunities include but are not limited to: strengthen the LTD benefit contract terms and conditions, implement internal oversight and reporting on claim management, streamline case management record keeping, and improve oversight and controls related to overpayments.

During the audit we noted key strengths within the LTD benefits program. HR benefits staff have strong experience in claim management and in-depth knowledge of the different benefit plans. The Return-to-Work program is well established and designed to facilitate employee return to the workplace. HR is proactively reviewing the LTD program and planning for several process improvement initiatives including technology advancements as part of the HR technology roadmap project. Sun Life was found to process new claim applications within 10 business days and provided timely responses to Region case management inquiries.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank Region and Sun Life LTD staff and management for their co-operation and assistance provided during the audit.

2.0 Introduction

York Region provides extended health care, dental care, Short Term Disability, and LTD coverage to its employees in accordance with collective agreements and Region policies. The Region's current benefits administrator is Sun Life Assurance Company of Canada (Sun Life), which acts as the Region's agent in processing LTD claims under an Administrative Services Only (ASO) contract. The Region processes and pays the benefit

claim costs as directed by Sun Life. Sun Life acts on the Region’s behalf to ensure LTD claims are adequately assessed, supported, and managed. The Region pays Sun Life a fee for administrative services provided.

The current benefits administrator contract expires in December 2021. At the time of this report, an RFP is being developed to source a new five-year benefits administrator contract.

The Region’s Human Resources branch is responsible for management of the LTD program, including on-going case management and support services. Region staff are not involved directly in the claim adjudication or on-going medical case management; however, they are responsible to ensure LTD claims are updated and monitored, and they facilitate the return-to-work plans. Sun Life is responsible for LTD claim adjudication, ongoing case management, and calculating the benefits payable to employees on LTD. Sun Life communicates the benefit payable to the Region, who manages the payment processing.

As of September 30, 2021, there are 124 Region employees receiving LTD benefits. On average, one in 31 Region employees is currently off work on LTD leave. This is based on 124 active LTD claims out of 3,784 employees with LTD benefit coverage. As at December 31, 2019 and December 31, 2020, there were 111 and 115 Region employees receiving LTD benefits respectively.

The following chart provides the annual LTD benefit administration costs and LTD benefit payments for the past two years and year to date for 2021. As the chart shows, the benefit administration fees have remained fairly consistent over the past few years.

Chart 1

	2019	2020	YTD 2021 **
ASO Fees	603,705	621,599	489,588
LTD Payments ***	4,068,805	4,685,216	3,789,413
Total Cost	4,672,509	5,306,815	4,279,001

**as at September 30, 2021

***net benefit after CPP adjustment

In 2019 and 2020 the average annual net payment per LTD claimant was approximately \$36,000 and \$46,000 respectively. Since the Region is obligated to continue benefit payments until an employee returns to work, reaches the age of 65, or passes away, the lifetime cost could potentially be over \$1 million per claim.

3.0 Objectives, Scope and Methodology

AUDIT OBJECTIVES

The main objectives of this engagement were to:

- Provide assurance on the adequacy and effectiveness of controls in place to properly manage the LTD program, including the Sun Life contract and overall case management of claims.
- Determine whether the existing LTD program structure aligns with the overall program objectives and industry best practices.
- Evaluate compliance with applicable legislative requirements, and internal policies and procedures.

AUDIT SCOPE

The audit included a review of LTD claims that were active as at September 30, 2021.

The audit scope excluded:

- York Regional Police LTD benefits
- Sun Life's ASO fee billing process
- Verification of Sun Life invoices

AUDIT METHODOLOGY

The audit objectives were accomplished through:

1. A detailed review of LTD program related requirements and internal policies and procedures that support the program.
2. A review of LTD program and case related documentation.
3. Detailed testing of a sample of active LTD claims.
4. A review of program objectives and an environmental scan of industry best practices.
5. Interviews with relevant Regional and Sun Life management and staff.
6. Review of other related documentation.

4.0 Detailed Observations

4.1 *Payment Process*

The LTD payment process is decentralized and inefficient, without adequate infrastructure and resources to support the process.

The Region is responsible for processing monthly LTD payments based on information provided by Sun Life. The Disability Claim Coordinators track payroll information in an excel spreadsheet and release this information monthly to HRMS for system updates, and to Payroll for review and processing.

Based on discussions with Payroll department staff, Payroll completes a detailed review of all payment information by reviewing the LTD email inbox for potential changes sent by Sun Life. According to Payroll staff, the process is very tedious and time consuming, but is considered necessary as errors are quite common. This process is inefficient and susceptible to data entry errors, potentially resulting in overpayments by the Region.

Industry standard practice is for the benefit administrator to handle the payment processing as part of the contract.

Recommendations

4.1.1 Management should consider transferring the payment processing to the benefits administrator in the new contract.

4.1.2 Management should request quotes for payment processing service to be provided as part of the RFP submission.

Management Response

4.1.1 The Region did have LTD payment administration through Sun Life prior to 2010. The legislative changes made to third party payment capabilities between 2010 and 2012 required the Region to take back the benefit payments to calculate necessary statutory deductions (E.I and CPP) as Sun Life was unable to do so. The 2022 RFP for the Region's benefit provider currently includes the request to have the LTD provider administer LTD benefit payments for York Region's ASO LTD plan.

4.1.2 As listed in 4.1.1, the 2022 RFP for the Region's benefit provider currently includes the request to have the LTD provider administer LTD benefit payments which includes a quote for this service. The RFP will conclude in Q4 of 2022.

4.2 Supervisor Responsibilities – Guideline & Training

There is an absence of clarity among York Region management interviewed regarding their roles and responsibilities in managing staff who are off on LTD.

Based on the review of the process and discussions with Region staff, there is limited guidance provided to management regarding their roles and responsibilities when staff are off on LTD. There is new manager mandatory training that includes employee health and safety guidance; however, this is not always completed by managers and is not a refresher requirement.

Audit Services interviewed a total of six (6) managers with staff currently off on LTD to assess their understanding of their role and responsibilities and to determine their level of satisfaction with communication and updates from HR. All six managers stated that they did not understand their role or responsibilities when a staff member is off on LTD. All six confirmed they did not receive direction or guidance from HR. Without clear direction and guidelines for managers on how to support staff on LTD, there is a risk for employees to feel unsupported, potentially leading to a longer leave period.

Recommendations

4.2.1 Human Resources should strongly consider developing and implementing a formal guideline for management that is sent at the time staff start a leave, that provides clear direction on their role and responsibilities for supporting staff on LTD.

4.2.2 Management should consider creating and implementing a recurring Health and Safety refresher training module to ensure managers are reminded of their responsibilities and equipped with the necessary knowledge to support staff on LTD.

Management Response

4.2.1 Agreed. Currently, all management is required to take the following 2 courses within the first 12 months of being a leader:

- Health and Safety for Management (HS0089)
- Mental Health in the Workplace (WL0051)

In addition to training, management will work to create a guide for managers on their role and responsibilities for supporting staff on long-term disability. This will be done in Q2 of 2022.

4.2.2 Agreed. In addition to the actions outlined in 4.2.1, management will work to create a booster session or self-learning tool for managers on their role and responsibilities for supporting staff on a medical leave of absence (including LTD). This will be done in Q2 of 2022.

4.3 Policies & Procedures

LTD Standard Operating Procedures (SOP) are not current, and gaps exist in documented formalized procedures.

Based on our review of the SOPs in place and discussions with staff, the existing SOPs have not been updated since 2016. Management noted they are in the process of reviewing the SOPs and plan to update in the near future.

Outdated or incomplete SOPs for operational processes could result in inconsistencies in the process and/or incomplete file documentation in the Parklane system for case management standards.

Recommendation

4.3.1 Management should review and update the existing SOPs and develop additional procedures where beneficial.

Management Response

4.3.1 Like many other business areas impacted by the pandemic, the Public Health emergency response required the Employee Health Unit to move to an electronic platform to support its day-to-day business functions. In advance of this audit and as communicated to Audit Services, the review of the Regions STD and LTD program and processes was already underway and supported by a comprehensive workplan in collaboration with Business Services. Although the audit commenced in Q3 2021, the implementation for the workplan commenced earlier and has estimated completion dates between Q3-Q4 2022. With much of this work already underway, we are pleased that our efforts and improvement plans align with Audit findings.

In particular, we are already in the process of updating our SOPs for the Employee Health Unit, estimated completion for Q3 of 2022.

4.4 Program Management & Reporting

There is no standardized reporting within the LTD program to allow for adequate claim management oversight, performance target measurement, and assessment of compliance.

Based on discussions with Human Resources management, Parklane has reporting capability; however, the system has not been used for claim management oversight or exception reporting. Human Resources management rely on quarterly reporting from Sun Life to assess case management practices and status of claims.

In addition, there is not a formal peer review audit or quality control process in place for Human Resources management to adequately oversee case management practices and assess compliance.

Without proper management reporting and oversight in place, there is the risk of inconsistencies in case management practices, noncompliance with policies and procedures, and inefficient use of Region resources.

Recommendations

4.4.1 Management should develop and implement a standard reporting framework and quality control process that covers claim management administration and compliance requirements.

4.4.2 Management should consider using the Parklane system's reporting functionality and explore additional modules of benefit.

Management Response

4.4.1 Agreed. Given Parklane's poor reporting capabilities, management will use Sun Life's Group Benefits Absence and Disability (GBAD) reporting tool to generate reports on approved/active LTD claims. This will be done on a proactive basis to review LTD claim activity and will be done every 4 months (opposite to Sunlife's quarterly reports to the Region). The review will begin in Q2 of 2022. A similar approach will be taken with the new LTD benefit provider in Q4 of 2022.

4.4.2 Like many other business areas impacted by the pandemic, the Public Health emergency response required the Employee Health Unit to move to an electronic platform to support its day-to-day business functions. In advance of this audit and as communicated to Audit Services, the review of the Regions STD and LTD program and processes was already underway and supported by a comprehensive workplan in collaboration with Business Services. Although the audit commenced in Q3 2021, the implementation for the workplan commenced earlier and has estimated completion dates between Q3-Q4 2022. With much of this work already underway, we are pleased that our efforts and improvement plans align with Audit findings.

In particular, in partnership with DAVS, a demo dashboard has been created to provide reporting capabilities from Parklane. The dashboard is estimated to be finalized for Q1 of 2022.

4.5 *Claim Administration Process*

Record keeping is inefficient, and data is not always complete or consistent.

The following concerns were noted regarding the administration of the LTD program:

- Parklane software is not being consistently used by staff. Based on discussions with staff and a review of active cases in the system, there are gaps in information recorded in the system and inconsistencies in how the software is being used for case management tracking. *Refer to Observation 4.7 – Results of Detailed Testing.*
- Paper files are maintained in addition to electronic files in Parklane. Further, claim files are currently maintained at the personal residences of Region case managers. Since the pandemic started and staff began to work from home, LTD paper files were brought home and returned for filing every few weeks. There is a risk of a privacy breach when medical information is unsecured outside of Region secured facilities.
- Claim status details entered into the Parklane system are re-entered manually into an Excel master sheet that tracks and manages claim status by year. The Disability Claim Coordinators maintain this Excel master tracking sheet for claim payment tracking and payroll processing. The Parklane system is the Region’s case management software that houses all health and safety records, including LTD claims. Maintaining the same information in two systems is inefficient and increases the risk of data entry errors, potentially resulting in inaccurate payments and incomplete or inaccurate claims information in one or both databases.
- The Excel master sheet is outdated. Based on our detailed review of the master tracking sheet and discussions with staff, the tracking sheet is not always actively updated due to time constraints and limited resources. An outdated master tracking sheet could lead to inaccurate claim reporting and/or payment information. *Refer to Observation 4.7 Results of Detailed testing for additional discussion.*

Recommendations

4.5.1 Management should review and update the current administration process for tracking and managing claim files and eliminate the need for duplication of systems and information.

4.5.2 Management should develop clear electronic case management practices for the Parklane system.

4.5.3 Management should consider going paperless with claim files electronically maintained in Parklane. In the interim, alternative options should be explored to eliminate the need for paper files to be stored at employees' personal residences.

4.5.4 In the interim, Management should review and update the Excel master tracking spreadsheet to ensure that it reflects current claim status and payment information.

Management Response

4.5.1 Like many other business areas impacted by the pandemic, the Public Health emergency response required the Employee Health Unit to move to an electronic platform to support its day-to-day business functions. In advance of this audit and as communicated to Audit Services, the review of the Regions STD and LTD program and processes was already underway and supported by a comprehensive workplan in collaboration with Business Services. Although the audit commenced in Q3 2021, the implementation for the workplan commenced earlier and has estimated completion dates between Q3-Q4 2022. With much of this work already underway, we are pleased that our efforts and improvement plans align with Audit findings.

In particular, as part of the review under the "Paperless Project" with Business Services, the Disability Claims Coordinator function and SOPs were planned for review. This will include the administrative process for managing and tracking both the Region's LTD and WSIB claims. The DCCs will work with Business Services between Q1 and Q3 of 2022 to review and action any items for change and process improvement, with all improvements made by Q4 of 2022.

4.5.2 The work plan to develop electronic case management practices is currently underway. Updated SOPs for the Employee Health Unit will be completed by Q4 2022.

4.5.3 See response for 4.5.2. Current controls under the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) are being used by the Employee Health Unit and include using a Region issued laptop, cellphone, and printer (all used at home). We are planning to go paperless as part of the "Paperless Project" with Business Services and this will address any ongoing risks. Estimated implementation date is Q4 of 2022.

4.5.4 Management will use Sun Life's Group Benefit Absence Disability reporting tool to produce a real-time report of active claim benefit payment and status information. This report will be used to update the Region's tracker in Q1 of 2022 (January 2022). Through the review of SOPs in the "Paperless Project" the ongoing use and benefit of having the spreadsheet will be evaluated.

4.6 *Strengthening Contract Provisions/Oversight/Management*

The Region's benefits administration contract lacks clarity in key areas such as timing and accountability, and the fee structure may discourage the service provider from closing claims in a timely manner.

The following observations were noted regarding the Region's current benefits administrator contract with Sun Life and the draft RFP planned for tender in January 2022:

- The Region's current benefits administration contract does not include specific performance measures defining timeliness and effectiveness in the on-going monitoring and management of claims. The contract does state that timely and effective administration of the LTD benefit plan is required; however, there are no specific provisions defining timeliness or effectiveness. Without specific performance measures, it may be difficult for the Region to adequately oversee the claim management process and/or hold the benefit provider accountable.
- The current benefits administration contract with Sun Life does not require case managers to verify physicians' active license status during initial assessment or on-going case management. There is the potential for claimants to submit Attending Physician Statements from unlicensed physicians.
- The current benefits administration contract does not include appropriate clauses to enable the Region's Audit Services branch to conduct an audit of Sun Life's claims operation. A clear audit clause would help ensure due diligence is being undertaken on the Region's behalf, and encourage compliance with contract requirements.
- The current administrative fee structure provides incentive for the benefit administrator to approve more LTD claims and keep claims open for a longer period. The current administrative fee paid to Sun Life is based on the total of the claims outstanding. As the fee is based on the total claims outstanding, the longer the claims remain active, the higher the fee paid to Sun Life.
- The current contract is not clear on the roles and responsibilities of the benefits provider for managing and reporting on suspected allegations of benefit fraud. Based on discussions with staff and our involvement with previous fraud investigations, there is not a formalized process for fraud investigation details, timing, and conclusive results. Without a clear understanding of the benefit administrator's role and responsibilities regarding fraud, there is the potential for delays in addressing concerns and/or financial loss to the Region.

- There are no formal updates provided to the Region on long duration claims. Long duration claims are not actively managed and require annual completion of the physician's statement to confirm continued eligibility. The lack in Region oversight could allow for changes in claim status or non-compliance issues to go undetected. *Refer to Observation 4.9 Long Duration Claim Management.*

Recommendation

4.6.1 The Region should review and consider incorporating into the new benefits administration contract the following:

- a) Specific performance measures relating to the timeliness and effectiveness of claim management.
- b) Requirements for the benefit administrator to verify physicians' license status during the initial claim assessment and annual verification for active claims.
- c) Specific audit clause to allow Region Audit Services to conduct audits of the benefit administrator's claim management operations.
- d) Consider alternative fee cost structures that are not directly tied to the number of LTD claims.
- e) Include a provision detailing the role and responsibilities of the benefit provider for completing and reporting on fraud investigations.
- f) Consider implementing a reporting framework for long duration claims, including confirmation of annual medical and member updates, and adjustments in CPP benefit rate information.

Management Response

4.6.1

- a) We will include specific performance measures as part of the new RFP for LTD benefits (Q4 2022). Monitoring of these requirements and measures will be built into the LTD review that will be conducted, starting in 2022 (see Management response in 4.4.1)
- b) Currently Sun Life holds a delisted provider listing, and the providers are flagged on SLF internal systems through health and dental submissions - this minimizes the occurrence of misrepresentation on future submissions, inclusive of all claims (H&D and LTD). We will send a communication to Sun Life to outline our expectation to have the LTD claims reviewed against the delisted provider list. The new vendor's ability to identify and list fraudulent healthcare providers will be addressed through the RFP in 2022.

- c) The Region will implement a right-to-audit clause in the new RFP (Q4 2022).
- d) While we agree there is a risk, the Region's fee structure cannot change as a result of being an ASO (Administrative Services Only) LTD contract. This means we hold the reserves and pay for the administration of each individual claim. This risk would be eliminated if the Region ever turned into an Insured Services Only contract.
- e) The request for a detailed fraud investigation process has been included in the new RFP as a requirement in their case management process.
- f) In Q1 of 2022, Sun Life will be asked to provide a report on all long duration claims. We will also be requiring the new provider to report on long duration claims with the same details (including confirmed dates of annual medical reviews and CPP benefit adjustments).

4.7 Results of Detailed Testing – Internal Case Management

Databases housing claims information are not consistently maintained or updated in a timely manner.

The following observations were noted regarding the Region's case management and oversight practices for the sample of 20 claim files reviewed:

- Total active cases in the Parklane system did not agree to the total active cases per Sun Life's reporting. Sun Life provides quarterly reports to the Region of all active, pending, and long duration LTD claims. The Parklane system showed 75 more active LTD claims than Sun Life's report. Based on our testing results and discussions with staff, Parklane is not always updated for changes in claim status.
- The Parklane system functionality is not being consistently used by the abilities management staff. *Refer to Observation 4.5 – Claim Administration Process.*
- There were three active claims where the Parklane system claim management comments section was not up to date, with significant gaps in case management notes.
- There were four active cases where the Parklane system review dates were not being actively managed and completed.
- The Excel master spreadsheet was not up to date for six of the claim files reviewed. *Refer to Observation 4.5 – Claim Administration Process.*

Recommendations

4.7.1 Management should review the discrepancy between Parklane and Sun Life reporting and update accordingly.

4.7.2 Management should develop clear electronic case management practices including requirements for case management notes/comments and review date completion.
(covered in 4.5.2)

4.7.3 In the interim, management should review and update the Excel master tracking spreadsheet to ensure that it reflects current claim status and payment information.

Management Response

4.7.1 Agreed. Management will review all active LTD claims in Sun Life's Group Benefit and Absence reporting tool and will update any Parklane LTD claims that require updating. The updated internal SOP for LTD claims management and internal claims auditing practices will also begin in Q2 2022 and will be finalized by Q4 2022– this will be used to monitor compliance with LTD case management practices.

4.7.2 *Covered in 4.5.2 – management response not required.*

4.7.3 Covered in management response to 4.5.4.

4.8 Results of Detailed Testing – Sun Life Active Claims Management

There is a risk of overpayment of LTD benefits due to delays in communication and follow-up by Sun Life.

The following observations were noted regarding Sun Life's case management and oversight practices during the detailed testing of 20 claims:

- There were nine claims where the notes in Sun Life's reporting tool were not up to date and in some cases the notes section was blank. The tool is Sun Life's automated communication tool to provide claim status updates to the Region. Incomplete claim documentation could result in important information not being communicated to the Region.
- There were two claims where there appeared to be delays in case managers' actions to obtain medical updates to support the continuation of benefits. In both cases, there were delays of a few months in following up with the claimant for the missing information. Delays in follow-up could result in overpayments of benefits.

- There were two claims where there appeared to be significant delays in the case manager's actions to follow up on CPP approval status. In both cases, the employee was 64 years of age, turning 65 within a few months, which means their benefits were scheduled to be terminated in the near future, potentially reducing the Region's ability to recuperate any overpayment. *Refer to Observation 4.9 Long Duration Claim Management.*

Recommendations

4.8.1 Management should request that Sun Life complete notes for all claim file action items and incorporate this requirement into the new contract.

4.8.2 Management should incorporate into the new contract specific performance measures relating to the timeliness and effectiveness of claim management. (*covered in 4.6.1*).

4.8.3 Management should follow up with Sun Life on the two noted outstanding CPP applications and implement measures to ensure pending CPP applications are closely monitored.

Management Responses

4.8.1 Management will send a detailed email to Sun Life in Q1 (January 2022) to request that consistency be applied to the level of detail and requirement to complete notes/updates in the Group Benefit Absence Disability reporting tool.

4.8.2 *Covered in 4.6.1 – management response not required.*

4.8.3 Management will follow-up with Sun Life in Q1 of 2022 to review the two noted outstanding CPP applications and implement measures to ensure pending CPP applications are closely monitored. The close monitoring of pending CPP applications will be part of the long duration claim reviews that will take place in 2022. See Management response for 4.6.1(f).

4.9 Long Duration Claim Management

There is a risk of overpayments of LTD benefits due to delays in annual updates and outdated CPP benefit amounts.

The following observations were noted regarding Sun Life's long duration claim management and oversight practices during the detailed testing of 15 claim files reviewed:

- LTD benefit amount is not adjusted for future increases in CPP benefits. Sun Life sets the CPP offset rate at the date of approval, with no subsequent updates for annual standard of living increases in CPP benefits. Audit calculated the potential LTD overpayments for six (6) employees resulting from LTD benefits not being clawed back for annual increases in CPP benefits. For the six (6) employees reviewed, the total overpayment is approximately \$153,000 since the start of the LTD claims. The Region may not be aware of the long-term financial impact this has, given that members can remain on LTD until age 65.
- There were three long duration claims where the annual medical update was received late. In two of the cases, the medical update was received eight months past the request for completion date. In the third case, the update was received three months past the request for completion date. There were reminder letters sent to members; however, there were gaps in communication attempts with all three members of 2-3 months. Delays in annual updated information could result in overpayments in benefits.
- There was one long duration claim where the annual Attending Physicians update was not received in 2020. Sun Life has confirmed this was an oversight error on their end.
- The long duration Plan Member annual update form and the Annual Attending Physician's update form do not specify a required timeline for completion. Without clear direction on completion deadlines, there is a risk that reporting of changes in claim status updates will be delayed resulting in potential overpayments.
- Long duration annual follow-up dates are not automatically generated by the system; these dates are manually entered by Sun Life staff and may therefore be subject to error and inconsistency.
- Long duration annual follow-up is not automatically scheduled to occur every twelve months. Follow-up dates are scheduled for one year following the most recent update received, not one year from the last scheduled follow-up date. This is noncompliant with the Region's contract and may result in outdated medical and financial information in the claim file, increasing the risk of overpayment by the Region.

Recommendations

4.9.1 Management should consider and review the financial impact of not clawing back LTD for CPP annual increase. The Region should make an informed decision on the policy moving forward and ensure it is clearly reflected in the next benefit administrator contract.

4.9.2 Management should follow up with Sun Life on the long duration annual update process and request timelier follow-up for reminder notifications on outstanding forms.

4.9.3 Management should request the benefit administrator to include a specific timeline on both the Plan Member Update form and the Attending Physician's Update form.

4.9.4 Management should consider requesting that the benefit administrator automate the long duration annual follow-up dates.

4.9.5 Management should request Sun Life to set the long duration annual follow-up dates for every 12 months in line with contract requirements.

Management Response

4.9.1 Disagree. Region's Benefit Advisor has confirmed that this practice is not wrong - this is an industry standard on how the CPP deduction works. We would be trying to claw back LTD payments when the CPP increases are the employee's only way of receiving cost-of-living adjustment to payments. This is already taken into consideration under the contract's offsets provision: "under any government plan, law or agency for the same or a subsequent disability, excluding all benefits or payments on behalf of a dependent, employment insurance benefits and automatic cost of living increases that occur after benefits begin".

4.9.2 Agreed. Management will use the reporting and ongoing monitoring of the long duration claims (see management response for 4.6.1(f)) to review claim status and request detailed claim summaries/updates. This will allow the Region to monitor if requests for medical updates and follow-up are occurring on a timely basis.

4.9.3 In a detailed email to Sun Life in Q1 2022 (January 2022) management will request the benefit administrator to include a specific timeline on both the Plan Member Update form and the Attending Physicians Update form.

4.9.4 Management will review best practice for requesting the automation of the long duration annual follow up dates. In some cases, terminally ill and severe progressive disabilities may be better suited for follow-up every 18 months where other long duration follow-ups would be best kept at every 12 months. This will be reviewed and discussed with Sun Life in Q2 of 2022 along with the request for a review of all current long

duration claims and their status. This practice will also be reviewed with the new provider during the RFP process.

4.9.5 The response is a combination of both the management response in 4.9.3 and 4.9.4.

4.10 Overpayments to Claimants

As of October 31, 2021, the Region has a receivable balance of approximately \$308,000 in CPP related overpayments to LTD recipients.

Region employees can apply for disability benefits from other government agencies and if an employee receives other benefits such as Canada Pension Plan (CPP) Disability Benefits, these benefits should be deducted from the Region's monthly LTD benefit payments. Sun Life, as the Region's benefit administrator, is responsible for managing the employee CPP application process including initiation, follow-up, and overpayment calculations.

The following concerns were noted regarding the overpayment administration process:

- When CPP benefits are awarded they are retroactively paid directly to the employee without any offset in LTD overpayment submitted to the Region. Based on discussions with management, the Region is not legally permitted to receive the overpayments directly from CPP. If the payment process was transferred to the benefit administrator, they could require the claimant to authorize CPP to notify the administrator of approval of benefits and to send the benefit payments directly to the administrator rather than the claimant. *Refer to Observation 4.1 – Payment Process.*
- There is no recourse if an employee turns 65 and is approved for CPP with retroactive overpayments due to the Region. This would result in unrecovered overpayments.
- There is not a formalized policy in place that defines the roles and responsibilities between the Region and benefit administrator for the collection of overpayments. The contract states that Sun Life is responsible for collections; however, what that includes isn't clear within the terms. As at date of fieldwork completion, a draft Region SOP providing guidance had not yet been finalized.
- There is not a formal policy in place on how the Region deals with collection of identified overpayments. Overpayments typically occur when the member receives retroactive CPP entitlement for which the Region has been paying LTD. A formal policy may help to strengthen the collections process and avoid further financial loss to the Region.

- There is not a formal policy for dealing with uncollectible CPP overpayments. Overpayments were identified in a past review completed by Audit Services in 2016 with amounts still remaining as receivable.

Recommendations

4.10.1 Management should strongly consider transferring the payment processing to the benefit administrator to help minimize overpayments. *Refer to Observation 4.1 – Payment Process.*

4.10.2 Management should increase oversight on CPP application status, especially for staff approaching age 65.

4.10.3 Management should finalize the SOP for overpayment collections.

4.10.4 Management should consider using, as defined in the SOP, collection agencies on vendor of record at the Region within Court Services.

4.10.5 Management should develop a formal policy on recovery of identified overpayments and work with Legal Services to explore opportunities to terminate employees for nonpayment.

4.10.6 Management should review the current overpayments and work with Finance to resolve the status of uncollectible accounts.

Management Response

4.10.1 This cannot be done at this time given that there is 1 year left in the current LTD contract. Moving forward, payments of LTD disability benefits will be explored with the new LTD contract through the new vendor – RFP 2022 Q4.

4.10.2 As part of the review for long duration claims (which is when CPP Disability applications are initiated), the Region will ask Sun Life to report on how many employees will be turning 65 in the next 2 years and will request a report on CPPD application status. Where CPPD application has not been initiated or is unknown, a review for an estimated offset may need to be explored. This will take place between Q1 and Q2 of 2022.

4.10.3 Management will connect with the overseeing authority for the overpayment policy and will confirm when the policy will be finalized. This will be done in Q1 of 2022 (January 2022).

4.10.4 As part of the follow-up on the overpayment policy, Management will inquire on the adoption of collection agencies on vendor of record. This will take place in Q1 of 2022 (January 2022)

4.10.5 Management will develop a formal policy on recovery of identified LTD overpayments as a result of CPP Disability awards and work with Legal Services to explore opportunities to align with the actions taken related to active employees.

4.10.6 This is currently in place and in practice as per the overpayment tracker for LTD overpayments. Payroll has been involved in administering deductions as part of repayment plans between the Region and the employee.

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