

Chapter 3

Oversight of the Employee Health and Dental Benefit Plan- Department of Finance and Treasury Board

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Oversight of the Employee Health and Dental Benefit Plan – Department of Finance and Treasury Board

Report of the Auditor General – Volume I, Chapter 3 - June 2022

Why Is This Important?

- The Plan spent \$752 million on claims related to health and dental treatments between July 2011 and June 2021
- The Health and Dental Benefit Plan is large, with 30,000 employees, and their families, eligible for coverage
- The health component has been in a deficit since 2016 with a June 2021 deficit position of \$6.9 million
- Lack of oversight can lead to increased costs and risks

Overall Conclusions

We concluded:

- The Department of Finance and Treasury Board (FTB) did not have effective oversight over the Plan because its governance structure has significant weaknesses
- Plan administration functions are fragmented with multiple parties involved in a complex operational structure
- Cost containment efforts could be improved to ensure long term sustainability of the Plan

What We Found

Poor Documentation of Roles and Responsibilities

- The Plan's operating structure has not been updated for over 30 years
- Third parties' roles and responsibilities are inadequately defined and documented, leading to unclear accountability

Weak Contract Management

- FTB does not know if amount paid for Plan administration is best value for money
- \$1.4 million in Plan administration costs were paid to Vestcor without auditing supporting financial records
- Vestcor appointed without tendering

Inadequate Planning and Risk Management

- No documented strategy to address the growing deficit related to the health component
- The Province paid \$8.8 million to finance the Plan's deficit
- No formal process to manage Plan risks

Limited Monitoring, Evaluation and Reporting

- Administrative-services-only (ASO) arrangement not evaluated in over 30 years
- No performance objectives developed to assess Plan performance
- Third-party performance not evaluated against targets
- Conflict of interest policies not obtained from third parties on a regular basis

Key Findings and Observations Table

Oversight of the Employee Health and Dental Benefit Plan – Department of Finance and Treasury Board (FTB)

Paragraph	Key Findings and Observations
	Poor Documentation of Roles and Responsibilities
3.25	<i>Plan's operational structure has not been updated for over 30 years</i>
3.27	<i>Third parties' roles are inadequately documented</i>
3.28	<i>Complex operational structure hinders timely decisions</i>
3.29	<i>Accountability is not clear</i>
3.30	<i>Standing Committee on Insured Benefits (SCIB) Chair selection does not match policy</i>
	Inadequate Planning and Risk Management
3.34	<i>FTB did not have a documented strategy to address the growing funding deficit in the health component</i>
3.35	<i>Dental component had a surplus of \$4.6 million as of June 2021</i>
3.36	<i>The Province has not made a deficit payment since 2017</i>
3.39	<i>\$1.1 million in accrued interest added to plan cost due to non-settlement of deficit</i>
3.41	<i>The Province paid \$8.8 million to finance the Plan's deficit</i>
3.44	<i>FTB could improve upon its cost containment efforts</i>
3.49	<i>No process to manage Plan risks</i>
3.51	<i>FTB does not obtain a report on controls from Vestcor</i>

Key Findings and Observations Table (Continued)

Paragraph	Key Findings and Observations
	Weak Contract Management
3.54	<i>Procurement of claims administration contract delayed</i>
3.55	<i>SCIB did not leave enough time to adequately complete the Request for Proposal (RFP) process</i>
3.57	<i>Vestcor was not contracted based on a tendering process</i>
3.59	<i>FTB does not know if amount paid for Plan administration is best value for money</i>
3.61	<i>Plan-specific costs not clearly identified in Vestcor contract</i>
3.63	<i>\$1.4 million in Plan administration costs were paid to Vestcor without auditing supporting financial records</i>
	Limited Monitoring, Evaluation and Reporting
3.66	<i>Neither SCIB nor FTB has developed performance objectives for the Plan</i>
3.68	<i>FTB has not established performance metrics for third-party contracts</i>
3.71	<i>Only one employee survey completed in the last ten years</i>
3.74	<i>FTB has not evaluated the Administrative Service Only (ASO) arrangement in over 30 years to assess whether it results in value for money</i>
3.75	<i>No documentation to support the claim that an ASO arrangement will result in millions in savings</i>
3.77	<i>SCIB relies on Medavie Blue Cross's (MBC) annual renewal report when recommending Plan changes without further analysis of the reported information</i>
3.79	<i>FTB has not conducted an assessment of claims data to analyze key trends to inform Plan changes</i>
3.81	<i>SCIB did not obtain conflict of interest policies on a regular basis</i>
3.83	<i>Monitoring and reporting responsibilities were not completed</i>
3.84	<i>SCIB did not carry out market reviews for a decade</i>

Recommendation	Department’s response	Target date for implementation
We recommend the Department of Finance and Treasury Board:		
<p>3.43 assess the Plan’s design and implement options that would avoid carrying large deficit balances and the associated interest costs.</p>	<p><i>A deficit in the plan is a result of larger claims than originally projected by MBC actuaries and 'approved' by SCIB. SCIB will jointly work with MBC to analyze the projected forecast and continue to make recommendations for plan design changes or premium adjustments as required. The deficit is a shared responsibility of employer and employee members.</i></p> <p><i>The Province has made a lump sum contribution of \$5.175M as of April 2022 to help offset the deficit and avoid future interest payments.</i></p> <p><i>Treasury Board approved a plan design change for April 2022 to address specialty select drug costs which is anticipated to save the plan approximately \$1 M annually.</i></p> <p><i>FTB will review cash flow procedures to identify opportunities to further reduce interest costs.</i></p>	<p><i>Ongoing</i></p> <p><i>April 2022, Completed</i></p> <p><i>April 2022, Completed</i></p> <p><i>April 2024</i></p>

Recommendation	Department’s response	Target date for implementation
We recommend the Department of Finance and Treasury Board:		
<p>3.48 develop and implement a cost containment strategy to stabilize costs while ensuring future sustainability of the Plan.</p>	<p><i>FTB/SCIB is continuously evaluating cost containment strategies (e.g. Specialty Select, Mandatory Generic First Substitution, Co-pay options, 90-day supply, biosimilars vs biologics, etc.) and makes recommendations annually to Treasury Board.</i></p> <p><i>Although FTB is confident in the current arrangement, FTB will review opportunities and will re-evaluate costs of pooling insurance options.</i></p> <p><i>Although SCIB and Treasury Board are always striving to balance affordability and plan sustainability as an overarching strategy, FTB to have discussions regarding having a more formally documented strategy in place.</i></p>	<p><i>Ongoing</i></p> <p><i>December 2022</i></p> <p><i>December 2023</i></p>
<p>3.53 in consultation with the Standing Committee on Insured Benefits, establish a risk management process, including an independent assessment of third-party risk management practices.</p>	<p><i>Although FTB receives the third-party audit from MBC annually and MBC has internal controls in place and conducts internal audits, FTB to work with MBC to better understand additional opportunities related to fraud risks and false claims.</i></p> <p><i>FTB to have discussions with Vestcor regarding an opportunity for an annual audit to be provided to and reviewed by SCIB.</i></p> <p><i>FTB to work in consultation with OoC to identify and establish a more robust risk management process</i></p>	<p><i>December 2022</i></p> <p><i>December 2024</i></p> <p><i>December 2026</i></p>

Recommendation	Department's response	Target date for implementation
We recommend the Department of Finance and Treasury Board:		
3.62 evaluate whether the Plan administration contract with Vestcor provides best value for money, such as by completing an Request for Information for Vestcor's services.	<i>The Vestcor contract will be evaluated in accordance with GNB Procurement policies in 2025.</i>	<i>April 2025</i>
3.65 in collaboration with the Standing Committee on Insured Benefits: <ul style="list-style-type: none"> • clarify the cost allocation among the different benefit plans administered by Vestcor; and • ensure Vestcor expenditures are eligible and accurate prior to payment. 	<i>Cost Allocations are reviewed annually.</i> <i>FTB to have discussions with OoC regarding cost recovery monitoring opportunities.</i>	<i>Complete</i> <i>December 2024</i>
3.72 in collaboration with the Standing Committee on Insured Benefits, establish and communicate performance objectives with specific metrics to measure Plan performance, including third-party contracts.	<i>A Third-Party Administrator contract (currently Vestcor) will be negotiated in 2025 and SCIB and FTB will evaluate current measures and if additional performance objectives are required.</i> <i>The Claims administrator contract (currently MBC) will be negotiated in 2023 and SCIB and FTB will evaluate if additional performance objectives are required.</i>	<i>April 2025</i> <i>December 2023</i>
3.73 regularly report on Plan performance to key stakeholders, such as the Plan Sponsor and Plan members.	<i>Key Stakeholders will continue to be communicated with annually as a minimum and additionally as required.</i>	<i>Ongoing</i>
3.76 evaluate whether the Administrative Services Only arrangement continues to provide best value for money for the Plan Sponsor and Plan members.	<i>FTB and SCIB to inquire into costs of a fully insured plan.</i>	<i>December 2022</i>

Recommendation	Department's response	Target date for implementation
We recommend the Department of Finance and Treasury Board:		
3.78 verify the financial information reported in the Plan's annual renewal report, before relying upon it for recommended Plan changes.	<i>5-year trends are provided by MBC and 10 year trends are provided by Luedey Consultants Incorporated (LCI), the plan's external consultant, and are reviewed and analyzed semi-annually and annually by LCI and SCIB. Meeting Minutes to better reflect the analysis, evaluation, and discussions.</i>	<i>Ongoing, detailed minutes starting at 'renewal' in October 2022</i>
3.80 analyze claims data periodically to identify: <ul style="list-style-type: none"> • unusual claim patterns; and • suspected fraud or other types of anomalies. 	<i>Although FTB receives the third-party audit from MBC annually and MBC has internal controls in place and conducts internal audits, FTB to work with MBC to better understand additional opportunities related to claims monitoring and reporting.</i> <i>FTB to have discussions with internal audit team on collaborating on additional opportunities for monitoring.</i>	<i>December 2022</i> <i>April 2023</i>
3.82 implement a process whereby conflict of interest is declared at least annually, by all third parties involved with the Plan.	<i>The governance policy currently includes a conflict of interest policy. A process will be established for an annual declaration of conflict of interest for the two third-party contracts.</i>	<i>December 2022</i>
3.85 benchmark Plan performance against relevant industry benefit data.	<i>Although benchmarking plan performance with an ASO arrangement may be difficult, FTB will work with SCIB to explore reasonable options for benchmarking purposes.</i>	<i>December 2025</i>

Audit Introduction

3.1 For over six decades, the Province has had a health benefit plan available to its employees and their dependents. The dental benefit plan was added later in 1986. Like many employers, the Government of New Brunswick's (GNB) Employee Health and Dental Benefit Plan ("the Plan") for active employees covers prescription drugs, dental care, and other health care expenses currently not paid for by Medicare. The Plan is comprised of separate health and dental benefit plans, which are underwritten under an Administrative Services Only (ASO) arrangement.

3.2 In many employment contexts, benefit plans are governed by a set of policies to guide their oversight and administration, including financing, membership eligibility, and associated costs. With regard to the Province, Finance and Treasury Board (FTB) is responsible for human resources, expenditure management, and fiscal oversight. FTB, through the Employee Benefit Services (EBS) unit, is responsible for the Plan's design, governance, administration oversight, and maintenance. Please refer to Appendix III for a complete guide to all acronyms used in this chapter.

Why we chose this topic

3.3 We chose to audit the Plan for the following reasons:

- the Plan paid \$752 million in total claims between July 2011 and June 2021, of which \$526 million was paid for by the Province;
- the health component of the Plan has been in a deficit since 2016;
- the Plan impacts approximately 30,000 employees, who are members, and their dependents;
- Medavie Blue Cross (MBC) has been awarded the claims administrator contract repeatedly since the 1960s; and
- poor oversight can lead to risks and increased costs.

Audit Objective

3.4 The objective of this audit was to determine if FTB has effective oversight over the GNB Employee Health and Dental Benefit Plan.

Audit Scope and Approach

3.5 We focused our work on health and dental benefits for active employees, as opposed to retirees, because the Province does not contribute to the retirees' plan. Please see Exhibit 3.1 below for a complete list of participating groups included in the Plan.

Exhibit 3.1 - Participating Groups

Participating Groups	
Public Service and Labour Relations Act Entities:	<ul style="list-style-type: none"> • Part I (Departments and Agencies) • Part II (School Districts (<i>excludes teachers</i>)) • Part III (Regional Health Authorities, New Brunswick Health Council, Extra-Mural/Ambulance New Brunswick Inc.) • New Brunswick Community College • Collège Communautaire du Nouveau-Brunswick • Financial and Consumer Services Commission • New Brunswick Legal Aid Services Commission • New Brunswick Liquor Corporation (<i>Retiree Health, Travel, Dental only</i>) • Cannabis NB Ltd. (<i>Retiree Health, Travel, Dental only</i>) • New Brunswick Power Corporation (<i>Retiree Health, Travel, Dental only</i>) • Workplace Health, Safety and Compensation Commission (<i>Retiree Health, Travel, Dental only</i>)
Union Groups:	<ul style="list-style-type: none"> • Canadian Union of Public Employees (CUPE) - various units • New Brunswick Nurses Union (NBNU) • New Brunswick Union of Public and Private Employees (NBUPPE) – various units • Professional Institute of the Public Service of Canada (PIPSC) • Public Service Alliance of Canada (PSAC)
Others:	<ul style="list-style-type: none"> • Legislative Assembly of New Brunswick (includes Members, Legislative Offices, Legislative staff and Constituency Office staff) • Office of the Lieutenant-Governor • Provincial Court Judges • Association régionale de la communauté francophone de Saint-Jean Inc. • Centre communautaire Sainte-Anne • Conseil communautaire Beausoleil Inc. • Council of Atlantic Premiers • Dialogue New Brunswick • Maritime Forestry Complex Corporation • New Brunswick Energy and Utilities Board • New Brunswick Human Rights Commission • New Brunswick Insurance Board • New Brunswick Labour and Employment Board • Atlantic Provinces Special Education Authority • Association des enseignants et des enseignantes francophones du Nouveau-Brunswick • Maritime College of Forest Technology (<i>Retiree Dental only</i>) • Université de Moncton (<i>Retiree Dental only</i>) • University of New Brunswick (<i>Retiree Dental only</i>)

Source: Created by AGNB with information provided by FTB

3.6 Our primary auditee was FTB; however, we also collected audit evidence from other stakeholders including

the Executive Council Office (ECO), Service New Brunswick (SNB), the Standing Committee on Insured Benefits (SCIB), and the Plan consultant, Luedey Consultants Incorporated (LCI).

3.7 The audit covered the period between July 2017 and June 2021. This aligns with the Plan's reporting cycle and is the period to which our audit conclusions apply. However, our analysis extended outside this audit period, where required.

3.8 More details on the audit objectives, criteria, scope and the approach we used in completing our audit can be found in Appendix I and Appendix II.

Conclusions

3.9 We concluded FTB did not have effective oversight over the Plan because FTB:

- has no documented strategy to address the growing deficit with respect to the health component;
- has not evaluated the Administrative Service Only (ASO) arrangement with MBC in over 30 years;
- has no documentation to support the claim that the ASO arrangement will result in millions in savings;
- has no process to manage risks related to the Plan;
- has not established performance measures to assess Plan performance;
- has not updated the Plan's governance document to reflect roles and responsibilities of parties involved in the Plan; and
- does not know if the amount paid for Plan administration is best value for money.

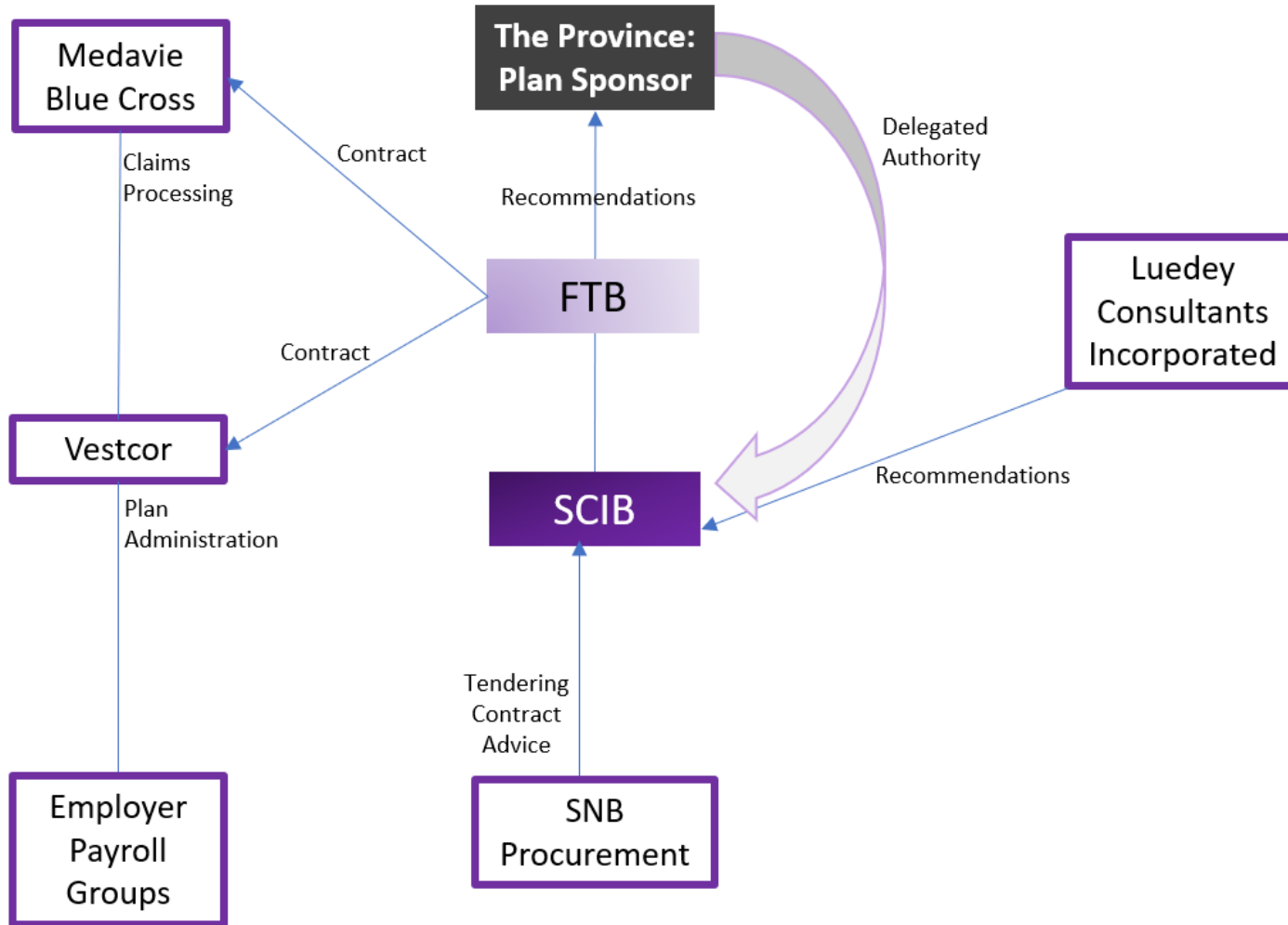
3.10 Overall, our conclusions indicate a need for FTB to manage risks and enhance its monitoring and performance metrics and cost-control measures to ensure the Plan is self-sustaining and performing to expectations. Our conclusions also indicate the Plan's governance structure has significant weaknesses and there are important gaps in the Plan's oversight. Ongoing evaluation is required to provide best

value for money for both Plan members and the Province. We make several recommendations in this chapter to address these concerns.

Background Information

- 3.11** Multiple parties are involved in the management of the Plan. The Province is the Plan Sponsor. Plan administration responsibilities have been delegated to FTB, SCIB, and Vestcor Inc. (Vestcor), in accordance with the *Financial Administration Act* and the Plan's governance documents. FTB's Human Resources division is responsible for the design, governance, policy development, program communications, administration oversight and maintenance of the Plan.
- 3.12** Thirty-one years ago, Cabinet established a Standing Committee on Insured Benefits (SCIB) to "assist both the employer [i.e., the Province] and the employees in ensuring that the premiums attract the best value [in benefits] the programs are well designed and that the parties are working together and effectively as a group." SCIB is a committee comprised of both employee and employer representatives and is currently chaired by the FTB's Director of Employee Benefits. The employee representatives are members of union groups, while the employer representatives consist of members of FTB and other employer groups. The committee is responsible for the day-to-day oversight of the Plan, including reviewing financial reports, approving communication materials, and monitoring the overall administration and management of the Plan.
- 3.13** FTB acts as the liaison between SCIB, the Province, service providers, and the Plan consultant. Procurement of the claims administration service is a joint effort between FTB and Service New Brunswick (SNB). SNB Payroll maintains employee records, deducts employee premiums, and remits these premiums to MBC for Part I of the government, which consists of departments and agencies, as per the *Public Service and Labour Relations Act*. Exhibit 3.2 details the Plan's complex operating structure.

Exhibit 3.2 - Complex Operating Structure of the Health and Dental Benefit Plan



Source: Prepared by AGNB based on information received from FTB

3.14 SCIB retains a consultant, LCI, to provide consulting services related to the management of the Plan. Consulting services provided typically include:

- review and analysis of annual renewals for benefit plans;
- preparation for and attendance at SCIB meetings;
- providing advice on the administration of the Plan and Plan design;
- liaising with providers and FTB; and
- coordinating and attending annual SCIB Education Days.

3.15 Employer payroll groups are responsible for payroll administration for active plan members. For example, SNB Payroll updates and maintains employee records during hiring and changes in circumstances, such as terminations, for Part I of government. SNB is also responsible for collecting premiums from employees and issues an associated cheque to MBC. SNB also performs a reconciliation that compares SNB Payroll records with regard to active employees' status (and any applicable status changes) with MBC reports. Any difference is adjusted for in future remittances.

3.16 SNB Procurement works with SCIB in an advisory role in the selection of the claims administration service provider.

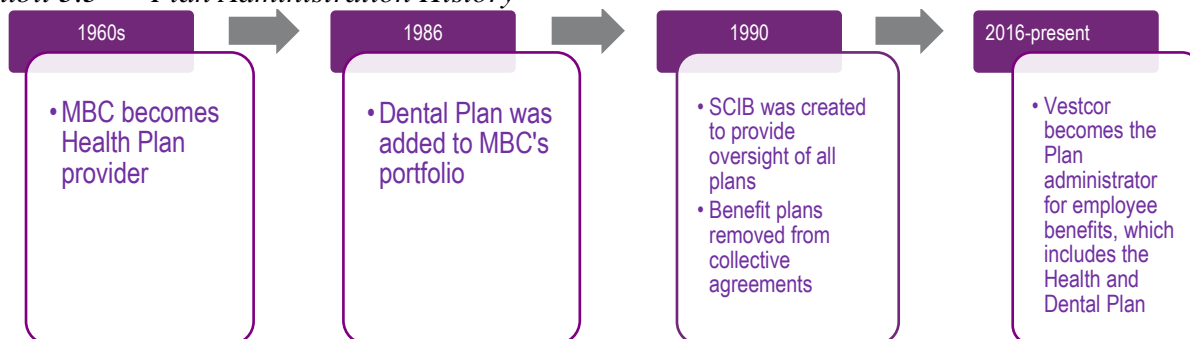
3.17 Since 2016, Vestcor has been responsible for providing Plan administration services such as answering questions from members regarding the Plan, distributing communications to employers and members regarding rate changes and policy changes, and preparing annual budget and quarterly expenditure reports.

3.18 Vestcor also provides benefits administration services for other plans, such as accidental death and dismemberment, and disability benefits; however, these are out of the scope of this audit.

3.19 MBC has been successful in obtaining the contract with the Province as the claims administrator since the 1960s. See Exhibit 3.3 for a history and timeline of Plan administration. As the claims administrator, MBC is responsible for adjudicating and paying claims, providing recommendations

to the Plan Sponsor, maintaining employee listings and monthly collections, providing quarterly updates, presenting education materials to SCIB, and preparing an annual financial report.

Exhibit 3.3 - Plan Administration History



Source: Prepared by AGNB with information provided by FTB

3.20 In 2011, MBC was awarded a 10-year contract. Although the contract with MBC expired on June 30, 2021, it was extended until June 30, 2023 to allow the Province enough time to complete a new Request for Proposal (RFP) to procure a new contract.

Exhibit 3.4 - Sample MBC Plan Member Cards



Source: Created by AGNB with images from FTB

3.21 The agreement between the Province and MBC is an administrative-service-only (ASO) contract, whereby the Province reimburses the cost of the benefits claimed by Plan members, while also paying an administrative fee to MBC. The cost of administrative services provided by MBC between July 2011 and June 2021 was \$24.5 million.

3.22 Most government employees are eligible for Plan benefits, except some Part II and Part IV organizations (per the *Public Service Labour Relations Act*) within the civil service, such as some Crown corporations, which have their own benefit plans. Exhibit 3.5 below provides a breakdown of Plan membership for active employees. As of June 2021, over 30,000 employees (out of approximately 36,000 GNB employees eligible for coverage) and their dependents were covered under the Plan.

Exhibit 3.5 - Plan Membership for Active Employees between July 2017 and June 2021

Plan Membership for Active Employees between July 2017 and June 2021

Coverage data	Year ending June 30			
	2018	2019	2020	2021
Health Component:				
Employees	29,954	30,278	30,801	31,359
Spouses	19,434	19,095	19,021	19,048
Eligible dependents	23,623	22,785	22,528	22,426
Total Participation	73,011	72,158	72,350	72,833
Dental Component:				
Employees	29,527	29,916	30,441	31,086
Spouses	19,198	18,874	18,817	18,900
Eligible dependents	23,523	22,696	22,439	22,425
Total Participation	72,248	71,486	71,697	72,411

Source: Prepared by AGNB with information from FTB (unaudited)

3.23 Participation in the Plan is optional. Employees can opt into the Plan and pay the employee share of the premiums for health coverage, dental coverage, or both. These amounts are deducted from employees' paycheques. The premiums for the health component are cost-shared at 75% and 25% between the employer and employee respectively. For the dental component, it is shared equally. More information on

the Plan premiums (i.e., contributions) and associated cost is shown in Exhibit 3.6 below.

3.24 Coverage under the Plan, as of April 1, 2017, includes:

- Drug coverage where the participant pays 20% up to a maximum of \$15 co-pay;
- Vision care (including eye examination, lenses, laser corrective surgery, implants and intraocular lenses, contact lenses, and visual training) every two years, with a maximum of \$225;
- Other extended health benefits (such as diabetic equipment and hearing aids); and
- Basic dental.

For additional information on coverage, inclusions, and limitations, please refer to Appendix IV.

Exhibit 3.6 - Plan Premiums, claims and financial position (\$ millions)

Plan Premiums, claims and financial position (\$ millions)

Key Plan Data	Year ending June 30				
	2017	2018	2019	2020	2021
Health Component:					
Premiums	\$57.2	\$64.6	\$65.2	\$66.3	\$70.1
Claims paid	-62.0	-61.8	-63.3	-66.4	-71.4
ASO fees paid to MBC	-2.0	-2.0	-2.1	-2.2	-2.3
Rebates on biologic drugs*	0.4	1.0	1.5	2.3	2.5
Plan Administration Expenditures	-0.2	-0.5	-0.4	-0.4	-0.3
Interest on Prior year Balance	-0.1	-0.2	-0.2	-0.2	-0.1
In-Year Surplus (Deficit) <i>rounded</i>	-\$6.8	\$1.2	\$0.8	-\$0.4	-\$1.6
Deficit from Prior year	-4.6	-6.8	-5.6	-4.8	-5.3
Deficit Paid	4.6				
Accumulated Surplus (Deficit) <i>rounded</i>	-\$6.8	-\$5.6	-\$4.8	-\$5.3	-\$6.9
Dental Component:					
Premiums	\$14.0	\$18.0	\$18.3	\$18.5	\$18.4
Claims paid	-16.2	-16.2	-16.1	-13.1	-17.6
ASO fees paid to MBC	-0.5	-0.5	-0.5	-0.4	-0.6
Plan Administration Expenditure	-0.1	-0.1	-0.1	-0.1	-0.1
Interest on Prior Year Balance	-0.1	-0.1	-0.1	0.0	0.0
In-Year Surplus (Deficit) <i>rounded</i>	-\$2.9	\$1.0	\$1.5	\$4.9	\$0.2
Deficit from Prior year	-4.2	-2.9	-1.8	-0.4	4.5
Deficit Paid	4.2				
Accumulated Surplus (Deficit) <i>rounded</i>	-\$2.9	-\$1.8	-\$0.4	\$4.5**	\$4.6

Source: Created by AGNB with information from FTB (unaudited)

* Biologic drugs are drugs that come from living organisms or from their cells. Biologic drugs are generally more complex in composition than chemically produced pharmaceutical drugs and are typically used to treat diseases and medical conditions including anemia, diabetes, psoriasis, rheumatoid arthritis, some forms of cancer, and inflammatory bowel disease. (Health Canada, *Biosimilar biologic drugs in Canada: Fact Sheet*, August 23, 2019.)

** A \$3 million decrease in claims due to COVID-19 dental practice restrictions was the primary driver in achieving a \$4.5 million surplus. For more information, please see paragraph 3.35.

Poor Documentation of Roles and Responsibilities

Plan's operational structure has not been updated for over 30 years

3.25 We found the Plan's operational structure has not been updated since SCIB was created in 1990. In 1990, the Province developed an operational structure where the responsibilities were shared between Board of Management (the Plan Sponsor), SCIB, and the Pension and Insured Benefits Branch (PIBB), as well as the claims administrator. This was established in part to remove benefit plans from collective agreements and place them under the same management to ensure all GNB employees received the same benefits, regardless of their collective agreements. SCIB did draft a Governance Policy and Procedures document, but this has never been approved. The only official document governing the Plan, "The Establishment of SCIB: Roles and Responsibilities", is over 30 years old.

3.26 Over time, the structure has become more complex with multiple parties involved in the management of the Plan, but these changes have not been documented. We expected FTB to have a documented, up-to-date operational structure that includes all parties involved and their respective roles and responsibilities. This would allow those involved in the Plan to have a clear understanding of their roles and responsibilities and would facilitate accountability. FTB did provide us with a "Employee Benefits Services Roles and Responsibilities" document; however, this did not include all parties nor detailed roles and responsibilities.

Third parties' roles are inadequately documented

3.27 There are three key parties mentioned in the documentation from 1990: SCIB, Pensions and Insured Benefits Branch (PIBB), and the Board of Management. Since then, PIBB's roles have been distributed to Vestcor, FTB's Employee Benefits Services Team, and applicable payroll groups, such as SNB for Part I. Also, "development and maintenance of employee/employer records", per the 1990 document, is still designated as a PIBB task; however, this role is now filled by employer payroll groups (e.g., SNB) and Vestcor. The Plan's governance documents have not been updated to reflect these changes.

Complex operational structure hinders timely decisions

3.28 As we showed in Exhibit 3.2, the operating structure of the Plan is complex with many parties involved in the Plan administration, in addition to MBC. This complexity can

lead to delayed decision-making, as information required to make decisions is gathered from several sources and flows through multiple layers of structure to reach the decision maker. Also, SCIB is a large committee with 20 members representing both employer and employee groups. This often made obtaining agreement difficult which in turn impacts the ability of the committee to make timely recommendations. Moreover, SCIB is only an advisory committee with limited decision-making powers. This means key decisions regarding Plan changes require Cabinet approval, which we were told can take significant time to obtain.

Accountability is not clear

3.29 From our review of the Plan structure, we noted it did not include all parties involved in the administration of the Plan. Specifically, we found SNB and other employer payroll groups were not represented in the Plan's operating structure and their roles and responsibilities have not been defined. Without a complete operational structure and clear documentation of roles and responsibilities, FTB may not be able to hold parties accountable for their performance. Also, potential cost overruns may occur due to overlapping or duplicate roles.

SCIB Chair selection does not match policy

3.30 SCIB has a Governance Policy and Procedures document, which was never approved. This document is meant to interpret the 1990 document and translate it into policies and procedures to guide SCIB's operations. The Policy and Procedures document requires the SCIB Chair role to be rotated every two years between the employee and employer representatives. We found this requirement had not been implemented and SCIB has continued to be led by FTB's Director of Employee Benefits.

3.31 There is a risk that a lack of independence exists while the SCIB Chair role is held by an FTB employee. In addition, the SCIB Chair often must choose between competing priorities of FTB and SCIB responsibilities. Since SCIB recommendations must be approved by Cabinet, the SCIB Chair (who is also Director of Employee Benefits at FTB) has to balance prioritizing SCIB recommendations with other FTB responsibilities. If the chair rotation policy contained in the Governance Policy and Procedures document had been followed, it would likely enhance the independence of the Chair.

Recommendation

3.32 We recommend FTB re-evaluate the Plan’s operational structure to determine whether there is a more effective governance model.

Recommendation

3.33 We recommend FTB, informed by the outcome of recommendation 3.32 above:

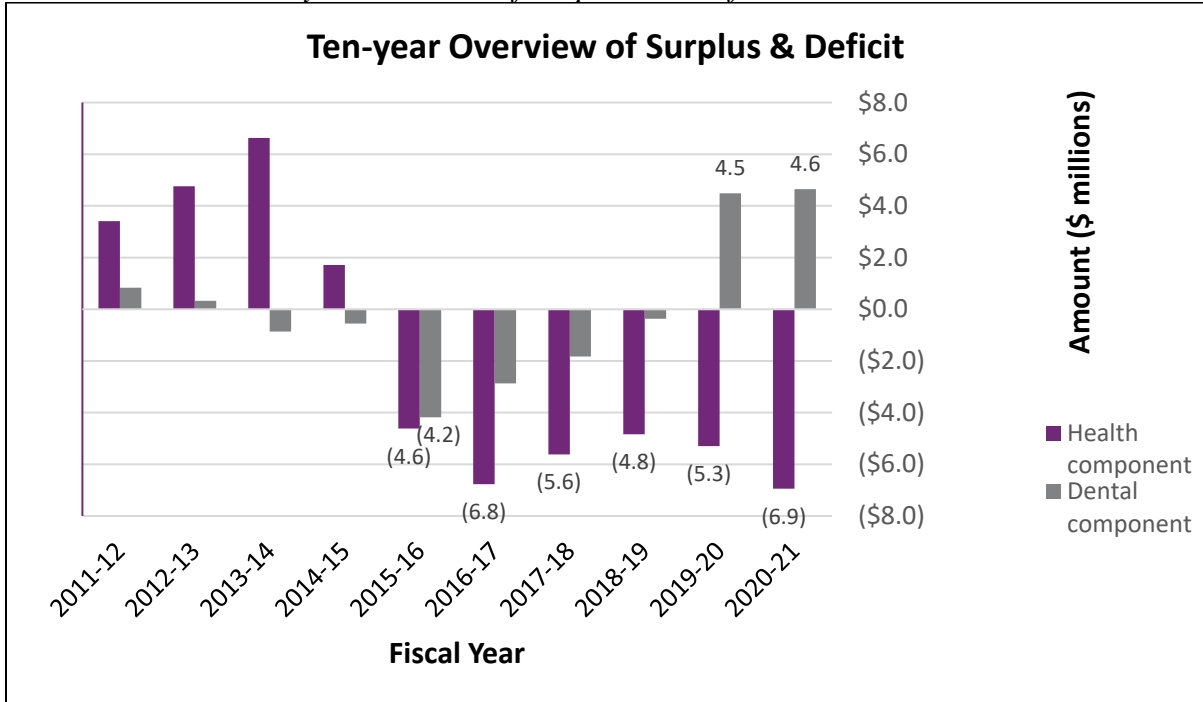
- **update the operating structure of the Plan to include all parties involved in Plan administration;**
- **document and communicate the roles and responsibilities of all parties; and**
- **ensure policies and procedures are documented, approved and followed.**

Inadequate Planning and Risk Management

FTB did not have a documented strategy to address the growing funding deficit in the health component

3.34 We found FTB did not have a documented strategy to address the growing funding deficit in the health component. When the premiums paid are less than the claims and expenses charged to the Plan, a deficit is incurred. The health component has been in deficit for the past six years. (See Exhibit 3.7 for a 10-year overview of the Plan surplus and deficit.) This deficit has been increasing for the past two years and there is no documented strategy in place to address it, except to increase Plan premiums. The health component has a cumulative deficit of \$6.9 million as of June 2021.

Exhibit 3.7 - Ten-year Overview of Surplus and Deficit



Source: Created by AGNB from unaudited MBC information

Dental component had a surplus of \$4.6 million as of June 2021

3.35 The dental component was in deficit until 2019. The balance of the dental component has improved from a deficit of \$4.2 million in June 2016 to a \$4.6 million surplus as of June 2021. This was due to the following:

- a \$4.2 million deficit payment in January 2017;
- a 33.5 % rate increase resulting higher premiums; and

- COVID-19 restrictions on dental practice for at least a quarter of the fiscal year between July 2019 and June 2020 led to a further decrease in the number of claims by approximately \$3 million, which drove the dental component into surplus.

The Province has not made a deficit payment since 2017

3.36 We found the Province has not made a lump sum deficit payment since January 2017. The agreement with MBC states any deficit balance should be paid in full annually or that an alternate method could be agreed upon. FTB is typically offered several options by MBC and an alternative to paying the balance in full is usually chosen.

3.37 FTB opted to increase future premiums to offset the Plan deficit. Each Fall, the SCIB Chair meets with MBC to discuss the latest Plan renewal statement. This statement includes a calculation of health deposit levels with projected claims based on the financial position of the Plan. For example, in the June 2021 statement, MBC offered three options, namely:

- No deficit recovery – means no lump sum payment of the \$6.9 million deficit balance for the health component;
- One-year deficit recovery; and
- Two-year deficit recovery.

3.38 Options two and three mean projecting premium increases with the expectation the increase over the period chosen will be enough to offset the deficit balance. However, with this approach, if projected premium increases proved inadequate, there will be a further increase in deficit. From our review, we have noted this approach has not been effective in addressing the growing deficit.

\$1.1 million in accrued interest added to plan cost due to non-settlement of deficit

3.39 In the past five years, over \$1 million in interest charges have accumulated with approximately 70% (\$750,000) borne by the Province in accordance with the current cost sharing arrangement of the Plan. Each year, MBC calculates interest earned, or to be paid, based on the financial position of the Plan. Interest is charged on any negative balance carried forward from a previous accounting period, until such date as it is paid to MBC, at the 1-3 year Canada bond rate plus 2% in effect at the start of the current accounting period. For example, in 2021, the interest rate used was 2.26%, i.e., 0.26% bond rate as of June 30, 2020, plus 2%.

3.40 Between July 2016 and June 2021, we noted the total deficit amount includes approximately \$1.1 million in accrued interest charges. Exhibit 3.8 shows the total interest accrued from July 1, 2016 to June 30, 2021.

Exhibit 3.8 - Interest Accrued Due to Non-Settlement of Prior Years' Deficits (\$ millions)

Interest Accrued Due to Non-Settlement of Prior Years' Deficits (\$ millions)

Plan Component	Year ending June 30					Total
	2017	2018	2019	2020	2021	
Health	-\$0.1	-\$0.2	-\$0.2	-\$0.2	-\$0.1	-\$0.8
Dental	-0.1	-0.1	-0.1	0.0	0.0	-\$0.3
Total Interest Accrued	-\$0.2	-\$0.3	-\$0.3	-\$0.2	-\$0.1	-\$1.1
Interest Rate (rounded)	2.5%	3.1%	3.8%	3.5%	2.3%	

Source: Created by AGNB from unaudited FTB information

The Province paid \$8.8 million to finance the Plan's deficit

3.41 In 2017, the Province paid \$8.8 million to MBC to offset the growing deficit. At that time, the Plan had a deficit of over \$10 million. We noted this payment was made to avoid further interest charges and also because there was no provision in the Plan's budget made to respond to changing conditions on a timely basis, such as payment of the deficit or increases in costs.

3.42 The Province approved the following rate increases, effective April 1, 2017:

- a) 33.5% rate increase for the dental component; and
- b) 14% rate increase for the health component.

These were required due to increases to the New Brunswick Dental Fee Guide and increased claims for periodontics (e.g., gum disease), restorative services (e.g., root canals), and diagnostic services (e.g., x-rays), as well as increased use of specialty drugs, medical equipment, chiropractors, and massage therapy. FTB also approved an increase to the maximum copay for prescription drugs under the health component from \$5 to \$15, effective April 1, 2017. Prior to 2017, there had not been an increase to dental premiums for over ten years; nor had there been an increase to health premiums since 2010. These changes have not been enough to offset increasing costs.

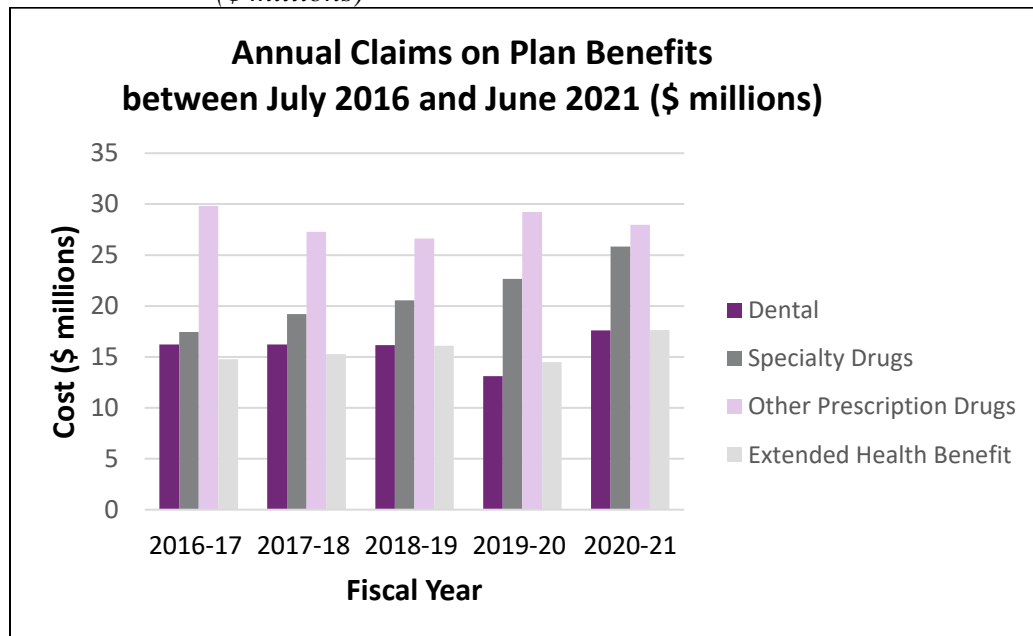
Recommendation

FTB could improve upon its cost containment efforts

3.43 We recommend FTB assess the Plan’s design and implement options that would avoid carrying large deficit balances and the associated interest costs.

3.44 FTB has implemented some cost containment efforts such as the increase to the maximum copay for prescription drugs and a maximum eligible expense for various diabetes-related equipment and eye care. We found, however, FTB could improve upon its efforts to stabilize costs without impacting the benefits of Plan members. The Drugs and Extended Health component accounts for approximately 80% of the total claims, with drugs being the primary cost driver. This was due to expensive specialty drugs, such as new biologics for autoimmune disease and due to changes in drug usage in that the same drugs were being used for more health issues. Specialty drugs are an expensive subset of drugs, such as insulin and growth hormones, that slow or stop damaging inflammation. Exhibit 3.9 shows the annual claims for the period from July 2016 to June 2021, classified by claim type.

Exhibit 3.9 - Annual Claims on Plan benefits between July 2016 and June 2021 (\$ millions)



Source: Created by AGNB with information from FTB (unaudited)

3.45 Between July 2016 and June 2021, on average, the Province spent over \$49 million on drugs alone. During the same time, specialty drug costs from claimants with \$10,000

or more in annual claims, accounted for an average of 43% (\$21 million) of drug costs, as shown in Exhibit 3.10 below.

Exhibit 3.10 - Specialty Drug Costs from Claimants with \$10,000 or More in Annual Claims (\$ millions)

Specialty Drug Costs from Claimants with \$10,000 or More in Annual Claims (\$ millions)

Annual Claims	Year ending June 30				
	2017	2018	2019	2020	2021
\$10,000 - \$49,999	\$15.2	\$16.5	\$17.2	\$19.7	\$22.3
\$50,000 - \$99,999	1.8	2.3	3.0	2.5	3.5
\$100,000 and above	0.4	0.4	0.4	0.4	0.1
Total Specialty Claimants	17.4	19.2	20.6	22.6	25.9
Total Drug Cost	\$47.3	\$46.5	\$47.2	\$51.9	\$53.8
% of Total Drug Cost	36.8%	41.3%	43.6%	43.5%	48.0%

Source: Created by AGNB with information from FTB and MBC (unaudited)

3.46 We also noted, from our review of SCIB minutes, there have been discussions regarding cost containment mechanisms, such as the introduction of biosimilars (drugs that are highly similar but not identical to biologic drugs). FTB is aware of the root causes of the Plan's increasing costs; however, there has not been sufficient action to address these to date.

3.47 Other jurisdictions (such as the City of Vancouver and the City of Toronto) have implemented a variety of other cost containment measures including identifying a particular category of potentially large claims that would become subject to stop-loss insurance protection where part of the risk is transferred to an insurance company.

Recommendation

3.48 We recommend FTB develop and implement a cost containment strategy to stabilize costs while ensuring future sustainability of the Plan.

No process to manage Plan risks

3.49 We found FTB has not developed a process to manage Plan risks. Examples of critical risks not being assessed include:

- Financial risks, such as unexpected large claims driven by increased price for specialty drugs;
- Fraud risks related to billing and false claims;

- Operational risks, such as loss of critical human resources within the Employee Benefits Services team; and
- Third-party risks, including supplier failure.

3.50 As described in paragraph 3.21, the Plan operates under an ASO arrangement with MBC. The ASO arrangement means the Province assumes responsibility for risks related to the Plan. We asked FTB if there was a risk management document that detailed potential risks and planned risk responses. FTB informed us there was no plan to manage risks.

FTB does not obtain a report on controls from Vestcor

3.51 Since Plan tasks have been outsourced to MBC and Vestcor, we expected FTB to have a process to ensure that these parties have adequate internal controls to mitigate risks specific to their roles and responsibilities. We noted MBC is the only service provider who provides an annual “report on controls at a service organization”, in accordance with the Canadian Standard on Assurance Engagements (CSAE 3416).

3.52 Vestcor does not provide such a report. Without this report, FTB does not have assurance over whether or not there are adequate controls in place to manage risks associated with the outsourced aspects of Plan administration.

Recommendation

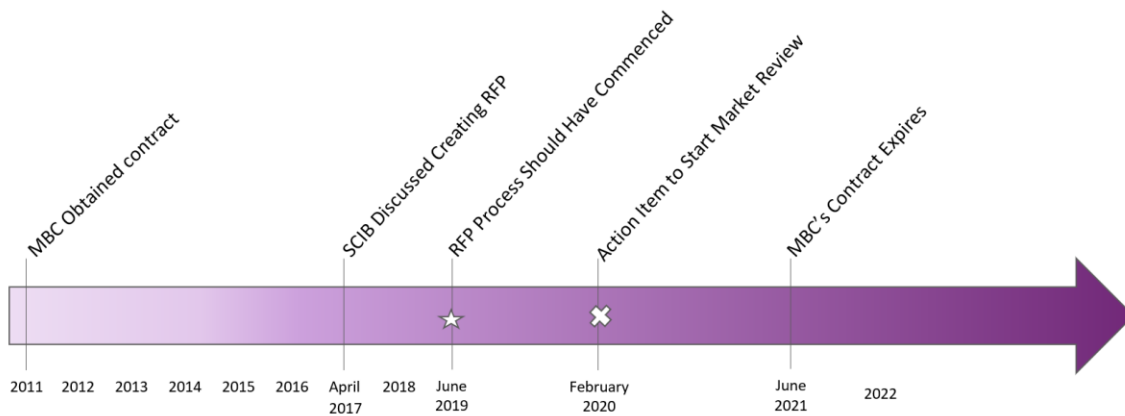
3.53 We recommend FTB, in consultation with SCIB, establish a risk management process, including an independent assessment of third-party risk management practices.

Weak Contract Management

Procurement of claims administration contract delayed

3.54 On August 5, 2011, MBC became the successful bidder on a 10-year contract for claims administration. This contract expired on June 30, 2021. FTB informed us that the RFP process would take at least two years to complete. Given this time frame, SCIB would have had to start the procurement process by at least June 30, 2019. Exhibit 3.11 provides a more detailed timeline of the RFP-related events.

Exhibit 3.11 - Timeline of Request for Proposal (RFP)-Related Events



Source: Created by AGNB with information from FTB

SCIB did not leave enough time to adequately complete the RFP process

3.55 SCIB minutes from 2017 indicate discussions were held regarding creating an RFP committee. However, it was not until a February 12, 2020 SCIB meeting that an action item was created to commence a full Market Review for the Plan’s claim administration services. The COVID-19 pandemic affected New Brunswick the following month, in March 2020. Although COVID-19 may have delayed this process, we found SCIB still did not leave enough time to adequately complete the RFP process prior to the contract expiration because it should have started at least eight months earlier in June 2019. FTB informed us that, at the time the committee should have commenced the RFP process for the claims administration contract (to allow adequate time for the RFP process), resources were allocated to completing a market review for the basic life and accidental death and dismemberment benefit plans.

3.56 As a result of this delay, MBC was awarded a two-year extension on its contract with FTB in 2021 without an

evaluation of MBC's performance. Other than COVID-related delays, the only other consideration used for the contract extension was that, should MBC not be the successful proponent, the Province would run out of time for a successful transition to a new provider.

Vestcor was not contracted based on a tendering process

3.57 Unlike MBC, Vestcor was not contracted based on a tendering process. In October 2016, pursuant to sections 106 and 107 of the *Vestcor Act*, every person who was employed with the Pension and Employee Benefits Division of the Department of Human Resources of the Province and responsible for the administration of the Plan was offered employment by Vestcor on the same or equal terms and conditions. As part of the arrangement, Vestcor entered into a service-level agreement with FTB to assume the responsibility for the administration of employee benefits, including the Plan.

3.58 FTB's Plan administration agreement with Vestcor operates on a cost-recovery basis, which means all costs incurred to provide the services outlined in Vestcor's contract are directly charged to the Plan. This includes items such as staffing costs, office rent, and information technology upgrades.

FTB does not know if amount paid for Plan administration is best value for money

3.59 We found FTB has not conducted an assessment as to whether the amount paid for Vestcor's services is best value for money. For example, there has been no Request for Information (RFI) to obtain comparable pricing from other service providers; although, during our interviews, SCIB members indicated they thought an RFI would be useful. Without a formal process to collect information from potential service providers, it is difficult to ascertain whether the cost charged by Vestcor is in line with industry standards and whether the arrangement is providing best value for money. Exhibit 3.12 shows the Plan share of administration cost pertaining to Vestcor.

3.60 On average, SCIB pays over \$400,000 in Plan administration for active members annually. Over \$300,000 of this amount is paid toward Vestcor's Plan administration. According to Vestcor's Plan Administration Report, payments are made toward the following administration services:

- Attending to client calls on eligibility and premiums;

- Maintaining records of coverage and premiums paid for eligible employees;
- Production of annual employee benefit statements; and
- Communication of changes to rates and policies to employees and members.

Plan-specific costs not clearly identified in Vestcor contract

3.61 The contract with Vestcor applies to several other benefit plans, such as accidental death and dismemberment and long-term disability. The way the contract is drafted makes it difficult to identify which of Vestcor’s activities and associated costs apply specifically to health and dental coverage. We also found the contract does not contain guidance or a cap on these costs. We understand Vestcor’s contract is currently under review.

Recommendation

3.62 We recommend FTB evaluate whether the Plan administration contract with Vestcor provides best value for money, such as by completing an RFI for Vestcor’s services.

\$1.4 million in Plan administration costs were paid to Vestcor without auditing supporting financial records

3.63 We found FTB has not audited the detailed records supporting Vestcor’s Plan administration costs since 2016. From April 1, 2016 to March 31, 2020, FTB paid \$1.4 million in administration fees to Vestcor. We noted Vestcor submits a monthly invoice to FTB with the administration fees included as a single line item. While this amount is checked against the pre-approved budget, FTB has never requested an itemized list of expenses making up this line item. These expenses include Vestcor’s payroll, information technology, and other overhead costs. Also, the contract allows the Province to audit Vestcor’s financial records of transactions pertaining to the Plan, however, no such audit has been carried out since the inception of the contract in 2016. Without auditing supporting documentation, FTB may not be able to verify the accuracy and validity of all administration charges invoiced by Vestcor, leading to the Plan (and thereby the Province) paying for ineligible expenses.

3.64 As shown below in Exhibit 3.12, SCIB does verify some expenses, such as training and education days, as well as LCI’s fees, and FTB’s staff compensation. However, SCIB does not verify costs associated with legal and communication or Vestcor’s Plan administration costs.

Exhibit 3.12 - Administration Costs Charged to the Plan (\$ thousands)

Administration Costs Charged to the Plan (\$ thousands)

Expense Type	Year ending March 31				Total	Verified by SCIB
	2017	2018	2019	2020		
SCIB expenses	\$3.2	\$5.7	\$2.8	\$5.2	\$16.9	Yes
Benefit Consulting - LCI	13.3	37.7	12.6	11.6	75.2	Yes
Vestcor legal and communication	3.1	5.2	0.0	1.3	9.6	No
FTB Payroll allocation	61.5	65.9	71.9	55.7	255.0	Yes
Vestcor Benefits Administration	301.7	330.7	353.6	380.9	1,366.9	No
Total	\$382.8	\$445.2	\$440.9	\$454.7	\$1,723.6	

Source: Prepared by AGNB with information provided by FTB (unaudited)

Recommendation**3.65 We recommend FTB, in collaboration with SCIB:**

- clarify the cost allocation among the different benefit plans administered by Vestcor; and
- ensure Vestcor expenditures are eligible and accurate prior to payment.

Limited Monitoring, Evaluation and Reporting

Neither SCIB nor FTB has developed performance objectives for the Plan

3.66 We found neither SCIB nor FTB has developed overall performance objectives for the Plan. There was also no reporting process in place to ensure key stakeholders are kept up to date regarding plan performance, using specific targets or objectives. Overall performance objectives and specific targets allow those with oversight of the Plan to ensure intended outcomes are being met. We expected FTB or SCIB to have established performance objectives for the Plan with specific metrics to monitor performance against these objectives.

3.67 In 2017, the Province requested SCIB make changes to the Plan to allow for better cost control and ensure coverage best meets the needs of employees. Neither SCIB nor FTB developed performance goals and measures regarding cost effectiveness, member satisfaction, and Plan sustainability.

FTB has not established performance metrics for third-party contracts

3.68 We found FTB did not establish performance metrics for third-party contracts. The Canadian Audit and Accountability Foundation indicates it is good practice to use performance metrics when assessing contract performance.¹ We would expect specific performance measures to have been included in MBC's contract, for example, processing 90% of claims within 7 days. We found no such measures exist in the contract. We were informed by FTB that performance measures used to exist for MBC's contract and that quality assurance was performed on an annual basis with reference to service standards when this was PIBB's responsibility. Since additional parties were added to the Plan structure and PIBB was dissolved, no party—including FTB—has continued this practice.

3.69 Also, FTB committed to jointly establishing key performance indicators (KPIs) with Vestcor to monitor and evaluate the level of success of Vestcor's services, such as Province satisfaction, timeliness and accuracy of service. We found no evidence that FTB was involved in the

¹ *Practice Guide to Auditing Efficiency*, Canadian Audit and Accountability Foundation (caaf-fcar.ca) p. 31

development of those KPIs. Moreover, we found Vestcor did not report on KPIs that are specific to the Plan except for the timeliness of responding to member calls (i.e., percent of calls responded to within 24 hours).

3.70 Without performance measures against which to evaluate third-parties' work, there is a risk FTB is unable to determine if service delivery meets contract expectations.

Only one employee survey completed in the last ten years

3.71 We found only one formal member survey was completed in the last ten years, which included information on member demographics, knowledge of coverage, in which areas members would desire more coverage (e.g., eye care, physiotherapy, podiatrist, etc.), and how much more members would be willing to pay for better coverage, among others. Regular employee surveys can be useful in obtaining member feedback to ensure the Plan is meeting their needs. FTB could not provide a satisfactory answer as to why member surveys were not completed on a regular basis.

Recommendation

3.72 We recommend FTB, in collaboration with SCIB, establish and communicate performance objectives with specific metrics to measure Plan performance, including third-party contracts.

Recommendation

3.73 We recommend FTB regularly report on Plan performance to key stakeholders, such as the Plan Sponsor and Plan members.

FTB has not evaluated the ASO arrangement in over 30 years to assess whether it results in value for money

3.74 According to FTB, the Plan's ASO arrangement was assessed in 1990 to ensure it provided optimal cost savings and best value for both the Plan Sponsor and members. However, since that time, for over 30 years, neither SCIB nor FTB has evaluated the ASO arrangement to assess whether the intended annual savings are still being realized. When we asked FTB why the arrangement had not been re-evaluated, they could not explain why a recent assessment had not been conducted.

No documentation to support the claim that an ASO arrangement will result in millions in savings

3.75 In 2017, FTB claimed 40%, or approximately \$5 million, in annual savings would be achieved with an ASO arrangement. However, FTB could not provide documentation to support how this amount was calculated. FTB told us the amount was based on discussions held with the claims administrator, as opposed to an evaluation of alternative delivery models for the Plan, such as comparing the costs of the ASO arrangement to that of an insured plan.

Recommendation

SCIB relies on MBC's annual renewal report when recommending Plan changes without further analysis of the reported information

3.76 We recommend FTB evaluate whether the Administrative Services Only arrangement continues to provide best value for money for the Plan Sponsor and Plan members.

3.77 We found SCIB does not validate the amounts reported by MBC in its annual renewal report, such as total claims, premiums, ASO administration charges, and expenditures charged to the Plan. LCI, the plan consultant, provides presentations to SCIB that include a summary of this information. We found, however, the information reported in LCI's presentations to SCIB is a reiteration of MBC's report without validation of the reported information. Without an evaluation of the reported information, there is a risk Plan changes could be based on inadequate or inaccurate data.

Recommendation

FTB has not conducted an assessment of claims data to analyze key trends to inform Plan changes

3.78 We recommend FTB verify the financial information reported in the Plan's annual renewal report, before relying upon it for recommended Plan changes.

3.79 In addition, we found FTB has not conducted a thorough assessment of claims data to analyze key trends such as cost drivers and unusual claim patterns. Data regarding enrolment statistics, employee demographics, and claims quantity are available from MBC and Vestcor, and could be used to conduct such analyses. SCIB relies on MBC to complete trends analyses of cost drivers and these are reported in MBC's reports. However, no further analysis was completed by either FTB or SCIB to identify unusual claims patterns, suspected fraud or other anomalies. SCIB informed us, prior to FTB's involvement, there were quality assurance meetings where SCIB would direct MBC to provide additional analyses, such as a claims audit to detect fraud; however, this was discontinued when PIBB was dissolved five years ago.

Recommendation

SCIB did not obtain conflict of interest policies on a regular basis

3.80 We recommend FTB analyze claims data periodically to identify:

- **unusual claim patterns; and**
- **suspected fraud or other types of anomalies.**

3.81 Pursuant to the SCIB Governance Policy and Procedures document, SCIB requires all service providers to disclose their respective conflict of interest policies. However, SCIB could produce no conflict of interest policies from third-party providers. Since individuals'

situations are not static, it is good practice for conflicts to be declared at least annually.

Recommendation

3.82 We recommend FTB implement a process whereby conflict of interest is declared at least annually, by all third parties involved with the Plan.

Monitoring and reporting responsibilities were not completed

3.83 We found some of SCIB’s monitoring and reporting responsibilities were not completed. SCIB’s Governance Policy and Procedures document has been drafted and includes some aspects of monitoring and reporting, but has not been approved or consistently followed. The document states, for example:

“Conduct regular Market Reviews (survey) (*sic*) and Request for Information reports in order to benchmark the Province of New Brunswick’s Plan with other Plans within Atlantic Canada”.

SCIB did not carry out market reviews for a decade

3.84 Market Reviews of third-party services entail distributing a survey to other Plan Sponsors to gather information and benchmark costs and levels of service to ensure the Plan is comparable with similar jurisdictions and meets the needs of employees and employers. From our review of relevant documentation, we found no evidence that a Market Review took place in at least 10 years. Without conducting regular Market Reviews, the Province is less likely to know if the existing Plan design and service agreements are providing best value for money.

Recommendation

3.85 We recommend FTB benchmark Plan performance against relevant industry benefit data.

Appendix I – Audit Objectives and Criteria

The objective and criteria for our audit of the Government of New Brunswick’s Employee Health and Dental Benefit Plan are presented below. The Department of Finance and Treasury Board’s senior management reviewed and agreed with the objective and associated criteria.

Objective	To determine if the Department of Finance and Treasury Board has effective oversight over the GNB Employee Health and Dental Benefit Plan.
Criterion 1	Department of Finance and Treasury Board should ensure roles and responsibilities are defined and implemented regarding all entities and third parties involved in the Plan.
Criterion 2	Department of Finance and Treasury Board should ensure decisions regarding Plan design and administration are evidence-based and risks are managed.
Criterion 3	Department of Finance and Treasury Board should ensure processes are in place for selecting and contracting third-party service providers.
Criterion 4	Department of Finance and Treasury Board should ensure Plan performance is monitored, evaluated, and reported.

Source of Criteria: Developed by AGNB based on review of legislation, best practices, reports by other jurisdictions’ Auditors General and relevant works published by the Canadian Audit and Accountability Foundation.

Appendix II – About the Audit

This independent assurance report was prepared by the Office of the Auditor General of New Brunswick on the Department of Finance and Treasury Board on Oversight over the GNB Employee Health and Dental Benefit Plan. Our responsibility was to provide objective information, advice, and assurance to assist the Legislative Assembly in its scrutiny of the Department of Finance and Treasury Board on its oversight responsibilities over the Plan.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

AGNB applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of New Brunswick and the Code Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management’s responsibility for the subject under audit;
- acknowledgement of the suitability of the criteria used in the audit;
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided; and
- confirmation that the findings in this report are factually based.

Period covered by the audit:

The audit covered the period between July 1, 2017 and June 30, 2021. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the starting date of the audit.

Subsequent Events:

The following event occurred after our audit period of July 1, 2018 – June 2, 2021:

We received new information in FTB’s response to our recommendations on May 31, 2022, stating:

- “The Province has made a lump sum contribution of \$5.175M as of April 2022 to help offset the deficit and avoid future interest payments.”; and
- “Treasury Board approved a plan design change for April 2022 to address specialty select drug costs which is anticipated to save the plan approximately \$1M annually.”

We considered the effect this new information on our report and determined it is unlikely to substantially change our audit conclusions. We have not carried out any additional audit procedures in relation to this information.

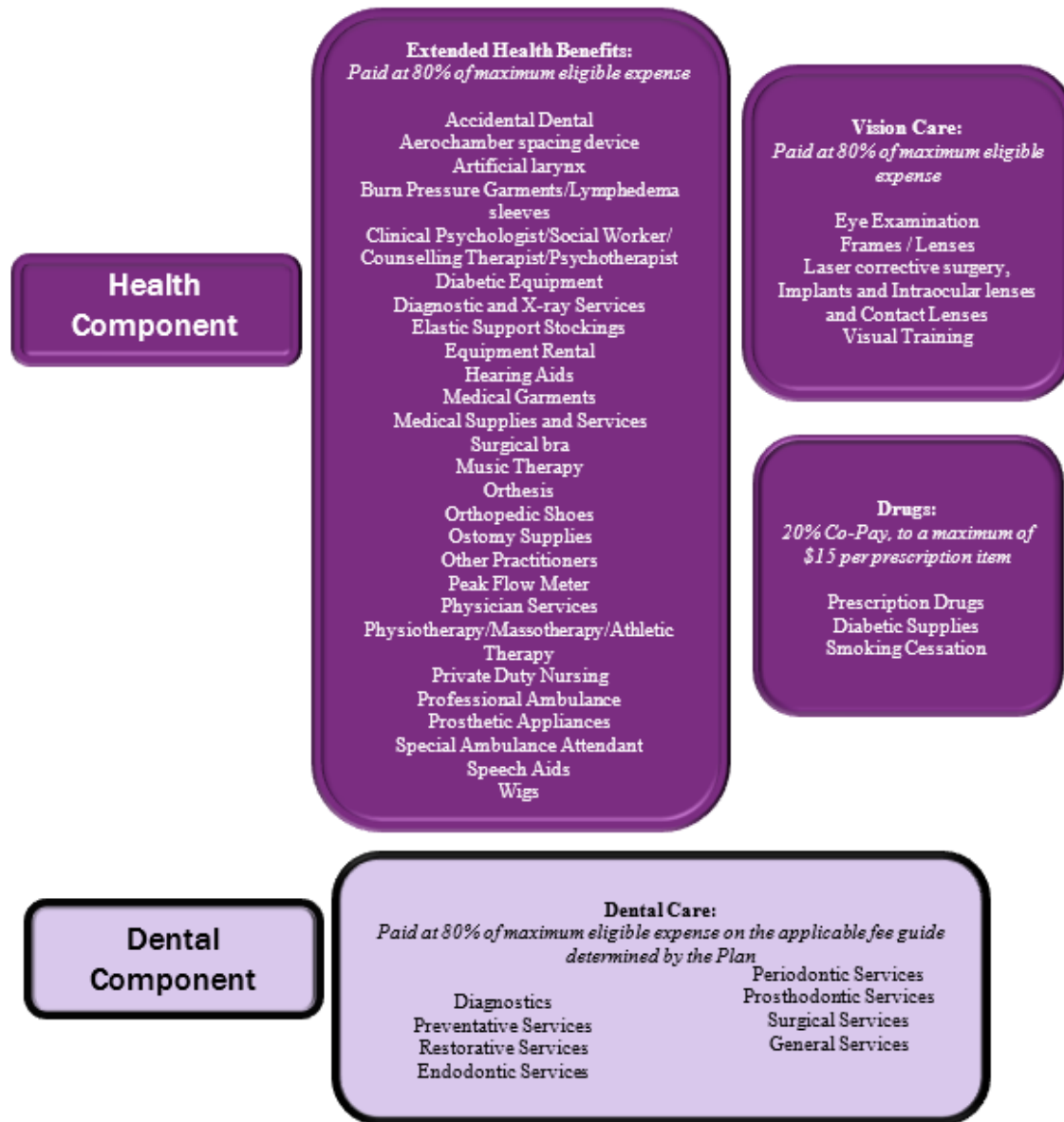
Date of the report:

We obtained sufficient and appropriate audit evidence on which to base our conclusion on June 1, 2022, in Fredericton, New Brunswick.

Appendix III – Key Acronyms Defined

Acronym	Definition
ASO	Administrative Service Only
CSAE	Canadian Standard on Assurance Engagements
EBS	Employee Benefits Services
ECO	Executive Council Office
FTB	Department of Finance and Treasury Board
LCI	Luedey Consulting Inc.
MBC	Medavie Blue Cross
PIBB	Pension and Insured Benefits Branch
SNB	Service New Brunswick
SCIB	Standing Committee on Insured Benefits
Vestcor	Vestcor Inc.

Appendix IV – Plan Coverage²



Source: Created by AGNB with information from FTB

For additional information on coverage, exclusions and limitations refer to www.gnb.ca/employeebenefits

² <https://vestcor.org/en/benefits/>