



**For Action
with Confidential Attachment**

Ongoing TTC Benefits Fraud Investigation

Date: July 10, 2018
To: TTC Board
From: Chief Executive Officer

Reason for Confidential Information

This report is about labour relations or employee negotiations and contains advice or communications that are subject to solicitor-client privilege.

Summary

This report is being provided to update the TTC Board on the status of the ongoing investigation into benefit fraud and the subsequent litigation and labour relations implications.

Recommendations

It is recommended that:

1. The TTC Board adopt the confidential recommendations.
2. Authorize that the information provided in Confidential Attachment 1 remain confidential in its entirety, as it contains information subject to solicitor-client privilege and information about labour relations or employee negotiations.

Financial Summary

The recommendations in this report do not yield a financial impact.

The 2018 Operating budget approved by the TTC Board on November 28, 2017 and City Council on February 12, 2018 incorporated the decreasing trend on health benefit claims that has occurred.

Additionally, an amount of \$721,708.17 was received through fraud insurance coverage and it has been recorded in the TTC's 2018 year-to-date results.

Any additional impacts that may arise from items noted in the confidential attachment are not currently included in the 2018 Operating budget due to the level of uncertainty and if experienced will be reflected in future financial update reports.

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

Equity/Accessibility Matters

None.

Comments

In April 2014 the TTC received information through its confidential Integrity line, that TTC employees were working with a company named Healthy Fit to defraud the TTC benefits plan. The allegation was that employees, in conjunction with Healthy Fit, were filing false or inflated claims for health products like orthotics, orthopaedic shoes, compression hoses, braces and other products covered by the plan.

The TTC, working with Manulife, launched an investigation. Working with undercover investigation staff posing as TTC employees, the TTC and Manulife discovered that the proprietor of Healthy Fit was offering to provide employees fake or inflated receipts if they agreed to split the money they would eventually be reimbursed by Manulife.

Since the TTC's contract with Manulife was for Administrative Services Only (ASO), every fraudulent dollar paid out to employees came from TTC funds, as well as a set percentage of claim values paid to Manulife for performing adjudication services.

To date, 237 employees have had their employment with the TTC terminated for cause or resigned to avoid being terminated for cause as a result of the TTC's investigation. Litigation of these cases remains ongoing.

Ten Employees were criminally charged by the Toronto Police Service. Charges were withdrawn against one employee. Nine have pleaded guilty and the TTC has received \$120,000.00 in restitution. The TTC is still expecting to receive a further \$25,000.00 in restitution.

The TTC has filed a lawsuit against the proprietor of Healthy Fit, Manulife and others.

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Signature

Richard J. Leary
Chief Executive Officer (Acting)

Attachments

Confidential Attachment 1 – Ongoing TTC Benefit Fraud Investigation