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United States General Accounting Office
Washington, DC 20548

December 20, 2002

The Honorable Stephen Horn
Chairman, Subcommittee on Government Efficiency,
Financial Management, and Intergovernmental Relations
Committee on Government Reform
House of Representatives

Subject: *Postal Service Employee Workers' Compensation Claims Not Always Processed
Timely, but Problems Hamper Complete Measurement*

Dear Mr. Chairman:

In fiscal year 2000, U. S. Postal Service employees accounted for about one-third of both the federal civilian workforce and the \$2.1 billion cost of the Federal Workers' Compensation Program (WCP). During that same year, Postal Service employees submitted about 85,000 claims, or about one-half of all claims for new work-related injuries, to the Department of Labor's (DOL) Office of Workers' Compensation Program (OWCP), which is charged with administering the program. Because of complaints the subcommittee received from injured federal employees about the untimely receipt of WCP benefits and because Postal Service employees account for such a large portion of the WCP, you asked us to determine specifically whether Postal Service employees were receiving WCP benefits in a timely manner.

We provided an initial response to your request on December 21, 2001,¹ and testified on the matter during a hearing before the subcommittee on May 9, 2002.² Among other things, we reported that during the period July 1, 1996, through June 30, 2000, about 7 percent of the Postal Service's approximately 901,000 total employee workforce filed an average of about 82,600 WCP claims each year. Of these claims, about 88 percent were approved and about 12 percent were denied each year. We also reported that OWCP's automated file records indicated a wide variance in the time between the date of an employee's injury and (1) the date of OWCP's decision regarding the claimant's entitlement to benefits³ and (2) the date

¹U.S. General Accounting Office, *Administration of the Workers' Compensation Program by the Postal Service and Department of Labor (DOL)*, (Washington, D.C.: Dec. 21, 2001).

²U.S. General Accounting Office, *U.S. Postal Service: Workers' Compensation Benefits for Postal Employees*, [GAO-02-729T](#) (Washington, D.C.: May 9, 2002).

³WCP provides for payment of several types of benefits, including compensation for wage loss, schedule awards, medical and related benefits, and vocational rehabilitation services for conditions resulting from injuries sustained or occupational disease or illness contracted in performance of duty while in the service of the United States. WCP also provides for payment of monetary compensation to specified survivors of an employee whose death results from work-related injury or disease and for payment of certain burial expenses.

OWCP authorized the first compensation or schedule award payment.⁴ However, as we reported, the automated records we reviewed did not contain the specific information we needed to identify how long it took the injured employees, Postal Service supervisors, and OWCP claims examiners to submit and process WCP claims.

For our current review, we agreed to

- determine the extent to which Postal Service employees provided all of the evidence required by OWCP regulations for determining the claimants' eligibility for WCP benefits and
- determine whether claims for WCP eligibility and WCP compensation payments for lost wages or schedule awards were submitted and processed within the time frames set forth in OWCP regulations or performance standards.⁵

Before Postal Service employees can receive medical benefits or compensation for wage loss or schedule awards, OWCP must often first establish—based on the evidence provided by the applicant—that the applicant is eligible for workers compensation benefits due to the injury for which the benefits are claimed. Once the claimant is determined to be eligible, the claimant's injury-related medical costs are paid directly by DOL to the medical provider. However, for wage loss or physical impairment due to the work-related injury, the employees must submit another WCP claim form specifically for compensation payments and provide evidence that the time away from work (wage loss) or impairment (schedule award) was directly related to the injury.

To meet our objectives, we randomly sampled 484 Postal Service employee WCP case files located at the 12 OWCP district offices throughout the country. Our sample cases included only those cases where Postal Service employees also filed claims for wage loss or schedule award compensation payments due to injuries that occurred or were recognized as job-related during the 12-month period beginning July 1, 1997. We selected the sample file records on the basis of the type of injury involved—traumatic or occupational⁶—and on the basis of their approval or nonapproval for WCP benefits and compensation or schedule award payments. (See enc. III for more detail about our scope, methodology, and sampling plan.) Our results can be generalized to the entire group of Postal Service employees who

⁴An injured employee can claim compensation as a (1) wage replacement benefit for lost wages, (2) schedule award if the employee has a permanent impairment to a member or function of the body, or (3) both.

⁵OWCP regulations provide time frames for injured federal employees and employing agencies to submit and process WCP-related forms; OWCP performance standards provide the annual operational performance goals or time frames for which OWCP claims examiners are to process WCP-related forms.

⁶WCP allows for two types of work-related injuries for which benefits and services can be claimed: "traumatic injury" and "occupational disease or illness." Traumatic injury means a condition of the body caused by a specific event or incidents, or series of events or incidents, within a single day or work shift. Such condition must be caused by an external force, including stress or strain, which is identifiable as to time and place of occurrence and member or function of the body affected. Occupational disease or illness is a condition produced by the work environment over a period longer than a single day or work shift.

applied for wage loss or schedule award compensation due to injuries occurring during the period covered by our review. (See enc. III for the confidence intervals for each part of the claims processing activities we measured.) We chose the period covered by the cases we reviewed because we believed it was current enough to reflect ongoing operations, yet historical enough for most, if not all, of the claims to have been decided upon. However, our work did not include an analysis of any time involved in the appeals process of any claim we reviewed, nor did we generally evaluate the appropriateness of OWCP's decisions approving or denying the claims. Our scope did not include an overall assessment of the performance of the WCP. For example, we did not assess processing of claims solely for medical payments or for subsequent claims for compensation made after the initial payment was authorized. We performed our work from January through December 2002 in accordance with generally accepted government auditing standards and obtained comments on the results of our work from OWCP and the Postal Service.

Results in Brief

On the basis of our analysis, we estimate that in about 99 percent of the cases involving Postal Service employees who (1) had work-related injuries during the 12-month period beginning July 1, 1997, and (2) filed claims for WCP benefits for lost wages or schedule awards due to these injuries, the employees eventually provided OWCP the evidence it required to make a determination on their eligibility for benefits. However, in about 69 percent of the cases, OWCP claims examiners had to request additional information because all of the required evidence needed to make a determination of WCP eligibility was not provided initially. As a result, claims for WCP eligibility were not always processed within the time frames set forth by OWCP.

On the basis of our analysis of available information, we estimate that Postal Service employees submitted about 95 percent of traumatic injury claims and about 49 percent of occupational disease claims to their respective Postal Service supervisors⁷ within the time frames set forth in OWCP regulations or performance standards. Postal Service supervisors then completed and submitted about 73 percent of the traumatic injury claims and about 64 percent of the occupational disease claims within OWCP's time frames, and OWCP claims examiners processed about 71 percent of the traumatic injury claims and about 84 percent of the occupational disease claims within OWCP's time frames. However, the reliability of our estimates is compromised to some extent by data not required and not available from the claim forms in our sample cases, as well as mistakes made by OWCP in selecting and

⁷Federal employees with work-related injuries have up to 3 years to file their claims for compensation. If the claim is not filed within 3 years, compensation may still be allowed if notice of the injury was given within 30 days, or the employer had knowledge of the injury within 30 days following the actual occurrence. In cases of latent disability, the time for filing a claim does not begin until the employee is reasonably aware of the causal relationship between the disability and his/her employment.

processing traumatic injury short form closure (SFC) cases.⁸ Furthermore, because of the SFC case selection and processing problems we found, the SFC case process may not be achieving the results OWCP intended.

For those Postal Service employees in our sample cases who were determined to be eligible for WCP benefits and later filed claims for compensation for lost wages or schedule awards, we could not reliably estimate the percentage of claims for compensation that were processed within the time frames set forth by OWCP. This was because the dates we needed to “mark” the beginning and ending actions taken by the injured Postal Service employee and Postal Service supervisor to complete, submit, and forward the claims to OWCP were missing from the claim forms. Additionally, OWCP’s performance standards for OWCP claims examiners’ part in processing these claims do not cover compensation claims for schedule awards, or when applicable, consider the impact of the additional time associated with (1) processing corresponding WCP claims for eligibility or (2) OWCP requests for additional information from the employees, Postal Service supervisors, or medical providers.

Accordingly, we are recommending that the Secretary of Labor and the Postmaster General take certain actions to improve and monitor the preparation and processing of Postal Service employees’ WCP claims. In commenting on a draft of this report, the Postal Service said that it supported our recommendations and, in July 2002, had established a new goal for submitting claims to OWCP. Although OWCP disagreed with many aspects of our methodology, findings, and recommendations, it said it was undertaking a review of its business and data system, including its SFC case process, and that it would make changes where it felt appropriate. Overall, we continue to believe that our methodology, findings, and recommendations are appropriate, but we have made changes to our report to reflect OWCP’s concerns where appropriate. A complete discussion of the Postal Service’s and OWCP’s comments can be found near the end of this report.

Background

Although OWCP is charged with administering the WCP, federal employing agencies, including the Postal Service, are responsible for paying normal salary and benefits, referred to as “continuation of pay (COP),” to those employees who miss work for up to 45 calendar days, during a 1-year period, due to a work-related traumatic injury for which they have applied for WCP benefits. Additionally, at the end of each 12-month period beginning on July 1, referred to as a “charge back year,” employing agencies are to reimburse DOL for (1) each agency’s share of DOL administrative costs and (2) costs associated with the WCP benefits and services provided to their respective employees during the year. As shown

⁸According to OWCP, SFC cases are WCP claims that are accepted (approved) as eligible for WCP benefits upon receipt and allowed to incur up to \$1,500 in medical bills—without formal adjudication—and are closed. Originally, we estimated that only about 41 percent of the traumatic injury claims were processed within the time frames set forth in OWCP performance standards. However, according to OWCP officials, this estimate overstated the actual processing time because many of these claims were treated as SFC cases, which were accepted as eligible for WCP benefits upon their receipt by OWCP. Once we considered the effect of these SFC cases on our sample claims, we found that about 71 percent of the traumatic injury claims were processed within the time frames set forth by OWCP. However, we also found that on the basis of OWCP’s SFC case processing guidelines, OWCP (1) incorrectly selected 14 of these cases as SFC cases (about 7 percent of the SFC cases in our sample), (2) may have inappropriately processed some claims that had been administratively closed, and (3) mistakenly approved 2 claims (about 1 percent of the SFC cases in our sample) for WCP benefits.

below, Postal Service employees' WCP claims for medical benefits and compensation for lost wages and schedule awards have greatly increased since fiscal year 1998. (See table 1.)

Table 1: Postal Service's Share of Selected WCP Costs Due to Injured Postal Service Employees for Fiscal Years 1998 through 2001^a

Fiscal year	Administrative Charge by DOL (thousands of \$)	Medical benefits paid		Compensation for lost wages and schedule awards	
		No. of claims	Outlay ^b (thousands of \$)	No. of claims	Outlays (thousands of \$)
1998	\$21,000	108,677	\$185,000	24,778	\$361,000
1999	\$20,000	111,383	\$196,100	25,092	\$368,700
2000	\$20,000	119,942	\$240,100	27,157	\$397,800
2001	\$33,000	125,375	\$269,600	28,013	\$424,600

^aMost current years for which costs were available at the time of our review.

^bOutlay is the amount Postal Service reimburses DOL, which makes the payment on WCP claims.

Source: GAO analysis of Postal Service data.

Employing agencies also provide the avenue through which injured federal employees prepare and submit their claim forms for WCP eligibility and claim forms for wage loss or schedule award compensation payments to OWCP. Specifically, OWCP regulations and performance standards in effect during the period covered by our review set forth the following:

- For OWCP to determine WCP eligibility, applicants had to provide evidence to meet five requirements: (1) the claim was filed within the time limits specified by law; (2) the injured or deceased person was, at the time of injury or death, an employee of the U. S. government; (3) the injury, disease, or death did, in fact, occur; (4) the injury, disease, or death occurred while the employee was in the performance of duty; and (5) the medical condition for which compensation or medical benefits was claimed was causally related to the claimed job-related injury, disease, or death.⁹
- For OWCP to process claims for WCP eligibility determination, OWCP regulations state that applicants are to give notice of the injury in writing¹⁰ to a Postal Service supervisor within 30 days of the injury or the date the employee realized the disease was job-related for traumatic or occupational disease, respectively. OWCP regulations further state that Postal Service supervisors are to complete the agency portion of the form and submit it to

⁹For wage loss benefits, the claimant must also submit medical evidence showing that the condition claimed is disabling.

¹⁰For traumatic injuries, OWCP regulations required the use of Form CA-1, "Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation," in order to claim WCP benefits. To claim benefits for a disease or illness that the employee believed to be work-related, OWCP regulations required the use of Form CA-2, "Notice of Occupational Disease and Claim for Compensation."

OWCP within 10 working days of receiving a claim.¹¹ OWCP regulations do not identify the time frames for OWCP to perform its part of the claims processing activity. Instead, OWCP has developed operational performance standards that identify the percentage of claims it plans to process within certain time frames. Specifically, OWCP claims examiners are to decide on WCP eligibility for at least 90 percent of the traumatic injury claims within 45 days of the claims' receipt from the Postal Service and for at least 70 percent of the occupational disease claims within 6 months of the claims' receipt.

- For OWCP to process claims for compensation for wage loss or schedule award, OWCP regulations state that applicants—who were disabled by a work-related injury and lost wages for more than 3 days, or had a permanent impairment—are to submit a claim in writing¹² to the employing agency within 10 days of the date pay stopped. Upon receipt of the claim, OWCP regulations state that Postal Service supervisors are to complete the agency portion of the form and as soon as possible, but not more than 5 working days, submit the form and any accompanying medical reports to OWCP. OWCP regulations do not identify the time frames for OWCP to perform its part of the claims processing activity. Instead, OWCP has developed operational performance standards that identify the percentage of claims it plans to process within certain time frames. Specifically, OWCP's goal is for claims examiners to process all payable claims for traumatic injuries and occupational disease within 14 days of OWCP's receipt of the claim from the Postal Service. OWCP considers the time that payment is authorized as the end of the processing activity.

Evidence Required to Determine WCP Eligibility Was Almost Always Provided by Postal Service Employees

Overall, we estimate that for about 99 percent of the cases involving Postal Service employees who (1) had work-related injuries during the 12-month period beginning July 1, 1997, and (2) filed claims for WCP benefits for lost wages or schedule awards due to these injuries, the employees provided to OWCP the evidence required to make a determination on their eligibility for benefits. Specifically, about 99 percent of the traumatic injury claims filed by Postal Service employees contained evidence related to the five requirements set forth in OWCP regulations and only about 1 percent of the claims did not include all of the required evidence. For occupational disease claims, about 98 percent of the claims filed by Postal Service employees contained evidence related to the five requirements, while only about 2 percent did not include all of the required evidence. Generally, the evidence not provided for both types of claims pertained to either (1) the employee's status as a Postal Service employee or (2) whether the claims were filed within the time limits specified by law.

However, in about 69 percent of our sample cases—about 64 percent of the traumatic injury cases and about 77 percent of the occupational disease cases—OWCP claims examiners had

¹¹Claims are to be submitted to OWCP if the injury or disease was likely to result in (1) a medical charge against OWCP, (2) disability for work beyond the day or shift of injury, (3) the need for more than two appointments for medical examination or treatment on separate days leading to time lost from work, (4) future disability, (5) permanent impairment, or (6) COP. If none of these conditions exist, the employer is required to retain the forms as a permanent record in the Employee Medical Folder in accordance with Office of Personnel Management guidelines.

¹²For both traumatic injury and occupational disease claims, OWCP regulations required the use of Form CA-7, "Claim for Compensation Due to Traumatic Injury or Occupational Disease," in order to claim compensation for wage loss or schedule award.

to request and obtain additional information from the injured employee, Postal Service, or medical provider in order to make a determination of WCP eligibility.

Postal Service Employee Claims for Program Eligibility Are Not Always Processed Within Time Frames Set Forth by OWCP

On the basis of our analysis, we found that Postal Service employees did not always submit, and Postal Service supervisors and OWCP claims examiners did not always process, WCP claims within the time frames set forth in OWCP regulations or performance standards for determining WCP eligibility. Specifically, we estimate that Postal Service employees met the time frames for submitting about 95 percent of traumatic injury claims and about 49 percent of the occupational disease claims to the Postal Service supervisors. (See table 2.) Once the Postal Service supervisors received the claims, we estimate that these supervisors completed the agency portion of the claim forms and forwarded about 73 percent of the traumatic injury claim forms and about 64 percent occupational disease claim forms to OWCP within the time frames set forth by OWCP. We also estimate that OWCP claims examiners processed about 71 percent of the traumatic injury claims and about 84 percent of the occupational disease claims within the times frames set forth by OWCP. However, the time frames for OWCP to process both traumatic injury claims and occupational disease claims were affected by factors outside of OWCP's control. In addition, our estimate of the processing times for traumatic injury claims were affected by OWCP's mishandling of some SFC cases. As a result, claims for WCP eligibility were not always processed within the time frames set forth by OWCP.

According to OWCP officials, delays by OWCP in processing WCP claims are sometimes due to the employees' failure to initially provide all of the information needed in order to determine WCP eligibility. As a result, and as discussed earlier in this report, additional processing time was sometimes needed for OWCP to request and receive the needed information before WCP eligibility could be determined. According to Postal Service officials, part of the delay in getting WCP forms submitted within the time frame set forth in OWCP regulations, especially for occupational disease claims, is because employees sometimes do not realize the severity of their injuries and do not file their WCP claims until the injuries get worse or start to affect their job performance. These officials also told us that Postal Service supervisors sometimes complete the agency part of the forms but may not promptly forward WCP claim forms. In commenting on a draft of this letter, the Postal Service told us that in July 2002, it had established a reporting goal that 90 percent of employee claims for traumatic injury and occupational disease are to be reported to OWCP within 14 days of receiving the claims from the employees.

Table 2: Length of Time to Process Claims to Determine Eligibility for WCP Benefits for Injuries during the Period July 1, 1997, through June 30, 1998^a

Points in time to apply for and determine entitlement to WCP benefits	Time frames set forth in OWCP regulations or performance standards	Estimated percentage of sample cases processed within time frames set forth by OWCP
Traumatic injury		
Date of traumatic injury to date Postal Service supervisor received notice of injury form	30 days	95
Date Postal Service supervisor received notice of injury form to date OWCP received form	10 working days	73
Date OWCP received notice of injury form to date of notice that eligibility for WCP benefits has been established	90 percent of the cases processed within 45 days	71
Occupational disease		
Date occupational disease was recognized as job-related to date Postal Service supervisor receives notice of occupational disease form	30 days	49
Date Postal Service supervisor received notice of occupational disease form to date OWCP received form	10 working days	64
Date OWCP received notice of occupational disease form to date of notice that eligibility for WCP benefits has been established	70 percent of the cases processed within 6 months	84

^aOur sample included only those cases where Postal Service employees also filed claims for wage loss or schedule award compensation payments due to injuries that occurred or were recognized as job-related during the 12-month period beginning July 1, 1997.

Source: GAO analysis of OWCP data.

Time Frame for Processing Traumatic Injury Claims for WCP Eligibility Are Affected by SFC Cases

Initially, we had estimated that OWCP claims examiners processed only about 41 percent of the traumatic injury claims within the time frames set forth by OWCP. This percentage, however, did not take into consideration the “down time” associated with SFC cases.¹³ According to OWCP, SFC cases are WCP claims that are accepted (approved) as eligible for WCP benefits upon receipt and allowed to incur up to \$1,500 in medical bills—without formal adjudication—and are closed. Also, SFC cases are to remain closed—without any action taken on the part of claims examiners—unless one or more of the following actions occur on the claims: (1) medical expenses exceed \$1,500, (2) the Postal Service later contests the claim, or (3) a wage loss claim is submitted to OWCP. If one of these events occurs, the case is to be reopened, processed, and adjudicated by an OWCP claims examiner. Thus, according to OWCP officials, we should not have considered as processing time the time frame between the date the SFC case was closed and the date that it was reopened.¹⁴

Once we deducted the “down time” associated with the 188 cases identified by OWCP officials as SFC cases contained in our sample of 280 traumatic injury cases, we determined that the percentage of traumatic injury claims that were processed within the time frame set forth in OWCP performance standards increased from our original estimate of about 41 percent to about 71 percent. However, we also found from our case file review that OWCP personnel did not always comply with OWCP’s SFC selection and processing guidelines. This problem precluded a complete and accurate assessment of OWCP’s processing time frames for eligibility determination and indicates that closer monitoring of OWCP’s claims examiners’ adherence to SFC processing guidelines may be needed.

Specifically, we found that 14 of the 188 SFC cases in our sample (about 7 percent) were designated as SFC cases but did not meet OWCP’s SFC case criteria: 6 cases involved third parties, 5 cases were initially contested by Postal Service officials, and 3 cases involved occupational disease claims. According to OWCP, traumatic injury claims that involve third parties or are initially contested or claims that involve occupational diseases normally require additional case development before a decision as to whether WCP eligibility can be made. Thus, these 14 cases should not have been selected as SFC cases. Initially, we had presented

¹³In April 1993, OWCP initiated a pilot project in the Cleveland district office implementing a predefined screening process for handling “lost time” traumatic injury cases. A lost time injury is an injury for which time is charged to leave, COP, or a wage loss claim is filed. Under this pilot program’s screening process, a claim that was not contested by the agency, had no wage loss claim, and did not have medical bills to exceed \$1,500 would not be reviewed by a claims examiner. The purpose of this was to relieve claims examiners of administrative work in adjudicating cases that involved work-related disabilities that would likely be overcome during the 45-day COP period. According to OWCP officials, on the basis of this pilot project (OWCP officials could not provide us a copy of this study.) and its own past experience in handling these types of cases, OWCP concluded that only about 1 percent of all lost time cases closed through the SFC case process would be denied if actually adjudicated by a claims examiner; and only \$147,085 in medical payments would have been avoided if all such cases were adjudicated. Additionally, OWCP estimated that the amount of time savings realized as a result of the SFC process—in conjunction with other quality assurance efforts—could amount to as much as \$4,450,000 for fiscal year 1992. As a result, OWCP implemented the SFC case process nationwide on October 3, 1993.

¹⁴Because our sample cases included only WCP cases containing claims for compensation for lost wages or schedule awards, all of the SFC cases in our sample would have been reopened after the initial closure.

OWCP with 17 SFC cases in our sample that we believed did not meet the SFC case criteria. At that time, OWCP provided us with additional information that indicated that 3 of the 17 cases were properly designated as SFC cases. However, in OWCP's comments on a draft of this report, it stated that it had previously demonstrated to us that only 9 of the 17 cases were handled improperly. We disagree and still believe that 14 of our sample SFC cases were handled improperly by OWCP claims examiners. Nevertheless, whether there were 9 or 14 SFC cases that were handled improperly, the point is that OWCP claims examiners do not always select and process SFC cases properly.

We found further that once selected, some SFC cases may not have been processed according to OWCP's guidelines. Of the 188 SFC cases, we found that 70 cases (about 37 percent) were adjudicated the same day that OWCP claims examiners reopened the claim, which could indicate that contrary to OWCP's SFC guidelines, claims examiners may have worked on or processed cases even though the cases were "technically" closed. Then, once the claims examiner decided to accept or reject the claims, the cases were reopened, adjudicated, and closed on the same day. Furthermore, in our case file review, we noted several instances in which OWCP claims examiners had requested additional claim information for closed SFC cases, indicating that processing was taking place but that was not being considered in OWCP's processing time measurement.

In its comments on our draft report, OWCP said that we implied that SFC cases that are reopened and adjudicated on the same day are not processed in accordance with OWCP guidelines and that this is not the case. OWCP said that its examiners are in fact encouraged to adjudicate claims as quickly as possible; frequently, triggers such as a telephone call or a facsimile transmission will be sufficient basis to reopen and adjudicate a claim instantly. However, our case file review showed, and we were told by OWCP officials in both the Dallas and Washington, D.C., district offices, that contrary to SFC case processing guidelines, claims examiners frequently work on cases while they are officially closed in an effort to obtain relevant information from the claimant or the employer so that an immediate eligibility determination can be made when the case is reopened. Nevertheless, we revised our report to indicate that we are not implying that all such cases are improperly processed.

OWCP officials generally agreed that mistakes were made in the SFC screening process and operating procedures. They explained that the SFC selection process and operating procedures, as a whole, have never been evaluated since the initial pilot project was done in 1993. Because the SFC case process has never been evaluated, no one knows whether the process has achieved its intended objectives or maintained the pilot project's estimated error rate of about 1 percent for improperly approved injury claims. Although we found that 2 of the 188 SFC cases in our sample (about a 1 percent error rate) involved erroneously paid medical benefits from OWCP and COP from the Postal Service, our review of SFC cases was not designed to be representative of all such cases.¹⁵ Furthermore, OWCP's pilot study that led to its SFC case processing policy was limited to one district office, and OWCP has not evaluated the SFC case processing error rate since that time. Thus, neither OWCP nor we have sufficient data to determine the current SFC case processing error rate.

OWCP officials told us that they did not seek reimbursement from medical providers for costs paid prior to the time OWCP determined that the claimants were ineligible for WCP

¹⁵We initially believed that 6 of the 188 SFC cases we reviewed indicated erroneously paid benefits. However, in commenting on a draft of this report, OWCP provided additional explanations that appeared to us to be reasonable for 4 of the 6 cases.

benefits. They said that there is no rule that precludes OWCP from seeking reimbursement for improperly paid medical costs from the employees. Once OWCP formally authorizes medical services to be provided to employees, the Employees' Compensation Appeals Board, which considers WCP appeals, takes the position that OWCP is contractually obligated to pay medical providers for services rendered in connection with the authorization, even if OWCP later decides to deny the claim. Postal Service officials, too, recognized that reimbursement of improperly awarded medical costs should not be sought from the medical providers. However, the Postal Service also said that, because it is difficult to recover improperly awarded medical costs from employees, changing OWCP's regulations and the language in the authorization form to require employees or their insurance carriers to refund improper medical payments would make it easier for them to recover such amounts. Also, the Postal Service is required by statute to seek reimbursement from its employees for improperly awarded COP.

Percentage of Compensation Claims Processed Within Time Frames Set Forth by OWCP Could Not Be Reliably Estimated

We could not reliably estimate the percentage of WCP claims for compensation payments for lost wages or schedule awards that were processed within the time frames set forth in OWCP regulations because OWCP did not require the dates needed to identify certain milestones in the claims processing activities to be recorded and the dates were not available from our sample case files. Also, OWCP's performance standards do not cover a significant type of claim for compensation—schedule awards—or, when applicable, consider the impact of the additional processing time associated with (1) processing the corresponding WCP claim for eligibility or (2) OWCP requests for additional information from injured employees, medical providers, or Postal Service supervisors.

Specifically, the dates needed to mark the beginning and ending actions taken by the injured Postal Service employee and Postal Service supervisor to complete, process, and submit, the claims for compensation to OWCP were not available. For example, for traumatic injuries, OWCP regulations state that an injured employee should submit a claim for compensation to the Postal Service supervisor within 10 days from the date the employee's pay stopped due to an absence from work caused by the work-related injury. However, we found that the date that the employee actually submits the form to the Postal Service supervisor is not required by OWCP to be recorded nor was it recorded on the claim form or available in the case files we reviewed. As a result, we could not reliably estimate whether the injured employees filed the claim forms within the time frame set forth by OWCP; nor could we reliably estimate the time frame for the Postal Service supervisors to complete and forward the claim form to OWCP after its receipt from the employees.

Although we estimated that OWCP claims examiners processed about 59 percent of the traumatic injury and 63 percent of the occupational disease claims within OWCP's 14-day performance standard (the standard covers the period between the date OWCP first received the claim form to the date OWCP authorized the first compensation payment), problems with OWCP's performance standard itself reduced the reliability of the processing time estimates we derived for this claims processing activity. First, OWCP's performance standard on which

our estimate is based excludes both claims for leave buy-backs¹⁶ and claims for schedule awards. According to OWCP, both types of claims normally take longer than the 14-day time frame standard to process. OWCP officials stated that it is appropriate not to have performance standards for processing employee claims for leave buy-back because the decision to grant leave buy-back ultimately rests with the employing agency, and the decision to actually repurchase leave rests with the claimant.

OWCP stated that it has not established processing standards for schedule awards because entitlement to a schedule award for permanent impairment requires an often prolonged process of determining whether the claimant has reached maximum medical improvement and a precise and often difficult determination of the degree of impairment. Accordingly, OWCP believes that applying meaningful timeliness standards to claims staff in these circumstances would be exceedingly difficult. However, we found that 43, or about 10 percent of our sample claims, were claims for schedule awards. We estimated that the median processing time for 37 of these claims for which data were available was 115 days from the date that OWCP received the claim until the first check was issued to the injured employee. Further, we estimated that 90 percent of these claims were paid within 787 days. Therefore, because the number of schedule award claims is not insignificant and processing times appear quite lengthy, we believe that if a reasonable standard for processing these claims could be developed, it could provide claims examiners with incentive to process schedule award claims expeditiously and provide OWCP a management tool for overseeing and evaluating the process.

Second, OWCP's existing standard for compensation claims does not consider the impact of delays caused by processing corresponding claims for eligibility or delays caused by OWCP's need for additional information from the injured employee, employing agency, or medical provider. For example, OWCP's performance standard for processing claims for compensation begins with OWCP's receipt of the compensation claims forms, even though the claim for compensation cannot be decided upon or awarded until after WCP eligibility is determined. As a result, such compensation claims forms cannot be processed until WCP eligibility is determined, which could inadvertently result in claims being processed in greater than the 14-day processing time frame set forth in OWCP performance standards. In our sample cases, we found that compensation claims for about 23 percent of the traumatic injuries and about 12 percent of the occupational disease were received by OWCP before WCP eligibility was determined. According to OWCP officials, this indeed happens but there is little they can do about it using the current performance standard for processing claims for compensation, other than being aware that it is a possible reason for such claims exceeding the processing standard.

Moreover, we found that delays in processing claims frequently occur because injured employees do not always provide complete information at the time they submit WCP claims, nor is sufficient or competent information always provided to allow OWCP to determine WCP eligibility or decide on compensation awards. As a result, OWCP is to inform the claimant that additional evidence is needed and allow the claimant up to 30 days to submit the requested information before OWCP can deny the claim. In our analysis, we found that this happened quite often. In fact, for about 64 percent of the compensation claims stemming from traumatic injuries and about 77 percent of the claims stemming from occupational

¹⁶Leave buy-backs are claims for compensation for lost wages or schedule awards wherein the claimant requests reinstatement of annual leave or sick leave for the time absent from work in lieu of a cash payment. OWCP officials stated that the decision to grant leave buy-back ultimately rests with the federal agency and the decision to repurchase the leave rests with the claimant.

disease, OWCP requested additional information before making a decision on the claims. According to OWCP officials, delays created by having to request additional information is indeed a problem. They have tried to minimize these delays by taking such action as calling the employee or agency, when appropriate, to obtain the information instead of sending formal written requests. Regardless, according to these officials, under OWCP's current performance standards, all claims examiners and district directors can do is monitor these delays and note their impact on the overall claims processing activity.

Conclusions

Although nearly all Postal Service employees who filed claims for WCP benefits for work-related injuries sustained during the period July 1, 1997, through June 30, 1998, eventually provided the evidence required by OWCP regulations to determine the employees' eligibility for WCP benefits, many of these employees' claims were not processed within the time frames set forth by OWCP. This is because (1) injured employees sometimes failed to submit claim forms in a timely manner after the date of injury or failed to initially provide all the needed information and (2) Postal Service supervisors did not always follow OWCP guidelines for forwarding the claims to OWCP. As a result, OWCP claims examiners frequently had to request and obtain additional information in order to determine the employees' WCP eligibility. These factors may have contributed to delays that occurred in the overall claims processing activity. In addition, data not required to be captured on the claim forms and not available from the claim files as well as the handling of some SFC cases by OWCP claims examiners affected the reliability of performance measurements for determining WCP eligibility. Furthermore, this could indicate a need for OWCP to reevaluate the SFC case process. Moreover, problems with OWCP's performance standards themselves made it impossible to reliably estimate the time required for processing compensation claims for lost wages. In addition, OWCP does not have performance standards for schedule awards even though about 10 percent of WCP claims in our sample were for schedule awards, and the processing times for these claims were generally quite lengthy.

Recommendations for Executive Action

To help (1) improve measurement of WCP claims processing activity and (2) ensure the accuracy in awarding WCP benefits, we recommend that the Secretary of Labor direct the OWCP administrator to:

- reevaluate and modify as needed OWCP's regulations and performance standards to better ensure that measurements reflect the time associated with the various specific components and parties involved in processing WCP claim forms up to the time WCP eligibility is determined and WCP compensation payments are authorized or denied, and reconsider whether reasonable performance standards for claims for schedule awards could and should be established, and whether SFC cases should be combined with other traumatic injury claims when measuring the timeliness of the eligibility determination process;
- establish a requirement that the dates needed to determine the various processing times covered by OWCP's regulations or performance standards for all parties involved in processing WCP claims are recorded on the applicable claim forms;
- periodically (1) monitor employee compliance with SFC case selection and processing guidelines and (2) determine whether the SFC case process is achieving OWCP's intended

goals and maintaining a cost-effective error rate regarding improperly awarded WCP benefits.

To help overcome the delays in processing WCP claim forms for eligibility determination and compensation for lost wages and schedule awards, we are also recommending that the Postmaster General

- monitor and take appropriate actions to achieve its goal for the preparation and processing of Postal Service employee claims for WCP benefits and ensure that claims submitted to OWCP are as complete as practical.

Agency Comments and Our Evaluation

We provided copies of a draft of this report to the Postmaster General and the Secretary of Labor for their review and comment. On December 6, 2002, the Postal Service's Vice President, Employee Resource Management, provided us with written comments stating that the Service supports our recommendations regarding OWCP's administration of the program. (See enc. I.) He said that the Postal Service believes our recommendations will improve OWCP's ability to effectively manage the program. With regard to our recommendation that OWCP and the Postal Service take action to improve and monitor the preparation and processing of WCP claims, he stated that the Postal Service has implemented such measures. He said that in July 2002, the Postal Service established a timeline reporting goal that 90 percent of employee claims for traumatic injury and occupational disease are to be reported within 14 days. He said that in order to achieve such a goal, field managers must establish a close working relationship with employees' supervisors to ensure that claim forms are submitted promptly and accurately. He also pointed out that in regard to the discussion in our report relating to the collection of medical payments improperly made, the payments are difficult to recover if the claim is later denied. He said that if OWCP's regulations and the language on the applicable form were revised to require the employees or their insurance carriers to refund medical payments improperly made, this would greatly increase the ability to collect these payments. Finally, he stated that the efforts of OWCP in continuing to improve program management and to identify ways to deliver good service to injured Postal Service employees are appreciated.

We believe that the recent goal established by the Postal Service to improve preparation and processing of Postal Service employees workers' compensation claims should, if effectively implemented, help expedite the WCP claims eligibility determination and adjudication processes as long as the claims contain sufficient information for OWCP to process the claims. Accordingly, we have revised the recommendations in our report to reflect the Postal Service's recently established claim submission goal.

By letter dated December 11, 2002, OWCP's Director provided us general and technical comments on our draft report. His general comments, included as enclosure II, are discussed below and in those sections of the report where applicable. We considered his technical comments and made changes to the report where appropriate. Overall, OWCP disagreed with several aspects of our methodology, findings, and recommendations but said the data systems OWCP uses to measure its own and employing agencies' performance are currently under review as part of a general system redesign and replacement effort.

Comments about Our Methodology and Findings

OWCP stated in its comments that the operation of the workers' compensation system remains a complex and intertwined set of activities, and that in its view, the report does not fully and accurately describe the overall performance of that system. OWCP specifically

pointed to our approach to the SFC case process as misrepresenting OWCP's handling of this large category of traumatic injury cases. Also, OWCP pointed out that with respect to the timeliness of wage-loss claims processing, our analysis focused only on the outcomes of claims for the first compensation payment. OWCP stated that its system reports on a larger universe—all payments generated from the receipt of a claim form, and multiple claims are frequently filed on the same case.

Our work was never intended to address the overall performance of the federal workers' compensation program. We explain early in the report that our work focused on only Postal Service employees who filed claims for wage loss or schedule award compensation during a specified period of time. Because of our limited scope, we recognize that there would likely be differences between the results of our analysis and the results of OWCP's systems for tracking its performance in processing a differing universe of WCP claims. We nevertheless believe that the results of our analysis of our sample postal employee claims are relevant for OWCP to consider as it redesigns its system.

OWCP pointed out that on the basis of our stratified sample of 484 cases, we found that OWCP adjudicated traumatic injury claims within program standards 71 percent of the time and occupational disease claims 84 percent of the time. However, OWCP data systems capturing information on all cases processed within the measured categories show traumatic injury adjudication timeliness at better than 94 percent and occupational disease case adjudication timeliness at more than 90 percent. OWCP said that the discrepancy between what we found and what its systems show regarding traumatic injury claim adjudication timeliness seriously distorts OWCP's performance.

Specifically, OWCP said that our approach to the SFC case process misrepresents OWCP's handling of this large category of traumatic injury cases. It said that its 94 percent measurement of timeliness much more fairly represents service to injured workers because it includes SFC cases as completed within the 45 day standard. It said that this approach is appropriate because the only benefit being claimed in such cases is payment of medical claims. Further, OWCP disagreed with our approach of excluding the down time associated with SFC cases because the vast majority of SFC cases are never reopened. Therefore, if our methodology were used, these cases would never be counted as processed even though up to \$1,500 in medical bills may have been promptly paid on each of these claims. OWCP further stated that it has established a separate 45 day standard for SFC cases that are reopened, and its system is reporting that approximately 85 to 90 percent of these reopened cases are adjudicated within the standard.

We believe that OWCP's approach of combining SFC cases, which do not involve processing time by claims examiners, with cases that do require processing time by claims examiners does not provide an appropriate measurement of timeliness for processing traumatic injury claims. As OWCP points out, SFC cases are closed automatically and immediately if the case meets certain criteria and medical claims are paid automatically up to a preset limit. Combining these cases with cases that require examiners to make decisions does not provide the most appropriate or meaningful measure of the eligibility processing times for traumatic

injury claims because it would be difficult for OWCP to identify and address any problems that may affect the actual processing times of claims that do require eligibility determination reviews. We believe our approach for determining eligibility processing time frames for SFC cases, which begins at such time the cases are reopened and ends when they are either approved or denied, is more meaningful because that is the period of time during which OWCP claims examiners are actively processing the cases.

Further, regarding OWCP's concern that our approach to the SFC case process would mean that SFC cases that are not reopened would never be counted as processed, our analysis was intended to determine the processing time for those SFC cases that were reopened from the time of reopening through adjudication. OWCP could perform other analyses for its purposes, such as determining and reporting the number of SFC cases where medical payments were made but the cases were not reopened. We did not do a separate analysis of the processing times for the SFC cases in our sample after they were reopened; therefore, we do not know how the processing times for these cases would compare to OWCP's statement that about 85 to 90 percent of all reopened SFC cases are adjudicated within the 45 day standard. We have added a recommendation in our final report that OWCP reconsider whether SFC cases should be combined with other traumatic injury claims when measuring the timeliness of the eligibility determination process.

OWCP stated that with respect to the timeliness of wage-loss claim processing, it believes our sample is skewed. It pointed out we reported that OWCP claims examiners processed about 59 percent of the traumatic injury claims and about 63 percent of the occupational disease claims for the first compensation payment within OWCP's 14 day time standard. However, the 85 percent figure reported by OWCP's systems' relates to a larger universe of all payments generated from the receipt of a claim form, including multiple claims filed on the same case. OWCP further pointed out that it agreed that the actions we cite in the report as contributing to delays would naturally occur most frequently in connection with the first payment on a particular case. However, according to OWCP, once these actions are complete, supplemental payments can generally be more prompt as reflected in the higher overall percentages of timely payments captured by OWCP's system. We agree that by including all payments related to a claim instead of only the first payment the timeliness of processing all payments could be different from what we determined. However, because our objective was to determine how soon after injury workers received a compensation payment, we focused our review only on the first compensation payment. We further clarified our report to state that we did not review subsequent claims for compensation.

OWCP stated that the discrepancy for occupational disease case adjudication rates between what we found (84 percent timeliness) and what its system is reporting (90 percent) is very near the confidence interval we describe in our report and hence may be a statistical artifact. According to OWCP it is reasonable to assume that their measures are comparable with ours for this category. We agree with OWCP.

Comments about Our Recommendations

OWCP also took issue with our recommendations. Specifically, OWCP questioned the focus on our inability to measure all segments of workers' compensation claims filing and processing, stating that two of our three recommendations to OWCP related to this issue. OWCP points out that the data systems it uses to measure its own and employing agency performance were developed over many years and are currently under review as part of a general system redesign and replacement effort. It said that OWCP will take advantage of this review opportunity to sharpen its measures where it believes doing so would yield

improved performance and transparency. However, it took exception with our concern that the current performance measurement system does not capture the date the claimant submits the claim form to his or her supervisor, thereby preventing a determination of whether the claimants were delaying the processing of the claims or whether the postal supervisors were holding the claims and thus delaying the process. OWCP defended its current system by stating that it places the burden of timeliness where OWCP believes it primarily belongs—on the employing agency, not on the injured worker.

We believe that capturing the date that the employee actually submits the injury claim form to the employing agency instead of the date the employee signs the claim form would allow the employing agencies and OWCP to better determine where delays may be occurring in the process so that remedial actions can be initiated. We do not believe that a requirement to capture the date that employees submit the claim form to the employing agency places any additional burden on injured workers; nor would it necessarily detract from OWCP's efforts to encourage employing agencies to act on their own to initiate the filing of workers' compensation claims. We believe that any general system redesign and replacement effort by OWCP should include an evaluation of the need to capture the date on which injured workers file their claims with the employing agencies. OWCP's regulations address the date employing agencies actually receive the claim, which could be different from the date that employees sign the claim form. Having this information should allow OWCP to better determine the employees' needs when submitting claims while allowing OWCP to identify actions the employing agencies could take to improve the process.

OWCP also disagreed with the implication of our first recommendation that OWCP's system of measuring its timeliness in processing wage-loss claims should separate out claims for which the initial eligibility determination has not been made. OWCP maintains that by separating such claims, its claims examiners would have no incentive to try to quickly obtain any missing information needed to determine a claimant's eligibility for the program, and thus more claims would encounter a much longer delay while in this "deferred" status. According to OWCP, the net effect of measuring such claims separately would be to increase, rather than reduce, the delays that claimants experience in receiving their benefits.

We agree that OWCP should be in a position to determine whether its claims examiners are trying to obtain missing eligibility information as quickly as possible. However, we believe that an effective performance measurement system should not hold claims examiners accountable for actions for which they have no control. Under the current process and standard, OWCP managers do not know when claims examiners are responsible for not meeting its standard for timeliness in processing wage-loss claims or whether the claim submitted did not provide the required information to determine eligibility. As mentioned earlier in this report, about 64 percent of the compensation claims for traumatic injury and 77 percent of the claims for occupational disease in our sample required OWCP to request additional information before making a decision. Again, we believe that any general system redesign and replacement effort by OWCP should include an assessment of whether its performance standard is appropriate with respect to missing information from the claimant, how to help claimants provide all appropriate information, and a measure for holding OWCP examiners accountable only for actions they control.

OWCP also disagreed with our recommendation that postal supervisors send only complete injured employee claim forms to OWCP. It said that if agencies hold on to initial claims to ensure that all possible information is compiled, OWCP's initial receipt of the claim record may be delayed, which in turn leads to the denial of medical bills because there is no record of the worker or the injury in OWCP's system. The intent of our recommendation, however,

is that postal supervisors should work with injured employees to see that the claim forms are as complete as possible—we are not recommending that postal supervisors unreasonably delay submission of the claim forms to OWCP. Our recommendation is consistent with the initiative that the Postal Service implemented in July 2002 to have managers, supervisors, and employees work together to ensure that claim forms are submitted promptly and accurately. Nonetheless we revised the wording of our recommendation to focus on the Service's effective implementation of its new initiative.

OWCP disagreed with our initial conclusion that the SFC case process may result in greater than anticipated erroneous WCP payments and with our recommendation that OWCP reevaluate the SFC case process. OWCP said that it believes that our sample cases were not representative of the entire universe of SFC cases. Nevertheless, OWCP said that it is currently reviewing the precise rules and criteria used in implementing the SFC case process as part of its business and data system redesign and will continue to enhance the effectiveness of the process and ensure that it is properly executed.

We agree that our sample of SFC cases was not designed to be representative of the entire universe of SFC cases. We reviewed only SFC cases that were part of our overall sample. The purpose of our study was not to evaluate the overall SFC case process. We revised the report to make this point clearer and to emphasize that neither we nor OWCP has overall or generalizable current data on SFC case process error rates. OWCP's pilot test for the SFC case process was conducted in 1993 at only one district office and has not since been revisited. We revised our conclusion but kept our recommendation because we believe that our findings with respect to these cases show that OWCP's ongoing review of the SFC case process provides an excellent opportunity to make certain that the process is meeting OWCP's intended goals and is maintaining a cost-effective error rate relative to any improperly awarded WCP benefits.

Finally, OWCP disagreed with our proposed recommendation that the Secretary determine whether processing standards should cover all types of claims. OWCP provided a good reason for not having such a standard for leave buy-back claims. It said that the decision to grant leave buy-back ultimately rests with the employing agency and that the decision to actually repurchase leave rests with the claimant. However, we do not believe that OWCP provided sufficient information for not having a performance standard for schedule awards. OWCP said that it does not believe that schedule award determinations can be made subject to strict processing standards because entitlement of a schedule award for permanent impairment requires a determination that the claimant has reached maximum medical improvement. OWCP said that applying meaningful timeliness standards to claims staff in these circumstances would be exceedingly difficult. We agree that there are numerous difficulties involved in adjudicating schedule awards claims. However, without such a standard, there appears to be no incentive for OWCP examiners to process schedule award claims as quickly as possible. Considering the proportion of lengthy processing times for schedule award claims in our sample, we believe that OWCP should explore the feasibility of developing a processing standard for schedule awards that considers all the difficulties that can arise in processing these claims. Having such a standard could act as an incentive for timely processing, help hold OWCP staff accountable for actions they can control, and serve as an impetus for identifying and addressing causes of delays or lengthy processing times. Accordingly, we modified our recommendation to focus specifically on exploring a standard for schedule awards.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 14 days from the report date. At that time, we will send copies of this report to the Ranking Minority Member of your subcommittee; the Chairman and Ranking Minority Member, Senate Committee on Governmental Affairs; the Chairman and Ranking Minority Member, House Committee on Government Reform; the Chairman and Ranking Minority Member, Senate Committee on Health, Education, Labor, and Pensions; and the Chairman and Ranking Minority Member, House Committee on Education and the Workforce. Copies of this report will also be sent to the Director of the Office of Management and Budget, the Postmaster General/Chief Executive Officer of the United States Postal Service; the Chairman, Postal Rate Commission; the Secretary of Labor; and others on request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions, please contact me at (202) 512-2834 or ungarb@gao.gov. Key contributors to this report are listed in appendix IV.

Sincerely yours,



Bernard L. Ungar, Director
Physical Infrastructure Issues

Comments from the United States Postal Service

DEWITT O. HARRIS
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



December 6, 2002

Bernard L. Ungar
Director, Physical Infrastructure Issues
United States General Accounting Office
Washington, DC 20548-0001

Dear Mr. Ungar:

Thank you for the opportunity to comment on the draft report entitled, *Federal Workers' Compensation Program: Postal Service Claims Not Always Processed Timely But Missing Data and Other Problems Hamper Complete Measurement (GAO-03-158)*.

We have reviewed the report and offer the following comments. We support GAO's recommendations regarding the Office of Workers' Compensation Program's (OWCP) administration of the program. We believe these recommendations will improve OWCP's ability to effectively manage the program.

With regard to GAO's recommendation that the Secretary of Labor and Postmaster General take action to improve and monitor the preparation and processing of Postal Service Workers' Compensation Program (WCP) claims, we have implemented such measures. During July of 2002 we established a timeline reporting goal that 90 percent of all CA-1s and CA-2s are to be reported within 14 days. In order to achieve such a goal, field managers must establish a close working relationship with employees' supervisors to ensure claim forms are submitted promptly and accurately.

As a point of clarification to the discussion on page 13 regarding the collection of medical payments improperly made, we offer the following comment. In the case of a traumatic injury claim, the employing agency issues a Form CA-16 that authorizes medical care. If OWCP later denies the claim, the payment made for the medical care authorized under the CA-16 is difficult to recover from the employee. If OWCP's regulations and the CA-16 language were revised to require employees or their insurance carriers to refund medical payments made improperly, this would greatly increase our ability to collect these payments.

The efforts of OWCP in continuing to improve program management and to identify ways to deliver good service to our injured employees are appreciated.

Again, we thank you for the opportunity to comment on this draft.

Sincerely,

A handwritten signature in black ink, appearing to read "DeWitt O. Harris".

DeWitt O. Harris

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Comments from the U.S. Department of Labor

U.S. Department of Labor

Employment Standards Administration
Washington, D.C. 20210



Reply to the Attention of:

DEC 11 2002

Bernard L. Ungar
Director, Physical Infrastructure Issues
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Ungar:

I am in receipt of your proposed report entitled, *Federal Workers' Compensation Program: Postal Service Claims Not Always Processed Timely But Missing Data and Other Problems Hamper Complete Measurement* (GAO-03-158). On behalf of the Office of Workers' Compensation Programs (OWCP), I offer the following comments.

OWCP appreciates the GAO's interest in determining the various factors that impact on the timeliness of Federal Employees' Compensation Act (FECA) claims filing and processing. OWCP continually stresses the importance of timely submission of initial claim forms and claims for wage loss benefits by all Federal agencies, and we track agency performance on our public website. We have been able to report considerable progress in obtaining government-wide improvements in submission timeliness during the past several years. The inauguration of electronic submission of claims by several departments has assisted greatly in this effort. The United States Postal Service has been among the most successful agencies in filing timely notices of injury/disease, and it has set very challenging goals for itself in FY 2003 to improve upon that performance.

Most importantly from our own perspective, OWCP has long held itself strictly accountable for processing cases in a timely manner once received. We use a wide range of measures, calculated at the program, district office, and individual claims examiner levels, to ensure prompt handling at each of the various stages through which a claim can pass. OWCP has made numerous efforts through the years, including the implementation of electronic claims processing and maintenance, to improve the accuracy, reliability, and speed of case processing. However, the operation of a workers compensation system like FECA remains a complex and intertwined set of activities, and, unfortunately, the report does not fully and accurately describe the overall performance of that system.

Notably, based on its stratified sample of 484 cases, the GAO report finds that OWCP staff adjudicated traumatic injury claims within our program standards 71% of the time, and occupational disease claims 84% of the time. For roughly the same time period as that covered by the GAO sample, OWCP data systems

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capturing information on all cases processed within the measured categories reported traumatic injury adjudication timeliness at better than 94%, and occupational disease case adjudication at more than 90%. Similarly, the report asserts OWCP staff processed claims for wage-loss replacement within our standard 59% of the time for traumatic injuries and 63% of the time for occupational disease cases. During that time period, OWCP's timely payment tracking system reported performance (for traumatic and disease cases together) at better than 85%.

The reasons for these statistical discrepancies are complex and multiple. Of greatest concern to OWCP is the finding regarding initial traumatic adjudication timeliness. We believe that statistic seriously distorts OWCP's performance.

The team's approach to the so-called "short form closure" (SFC) process misrepresents OWCP's handling of this large category of traumatic injury cases, and holds the program to a standard that is irrelevant to this category of cases. OWCP's 94+% measurement of traumatic adjudication timeliness much more fairly represents the degree of promptness of service to the injured workers in question, since it includes SFC cases as completed within the 45 day standard. That is appropriate, since the only benefit being claimed in such cases is payment of medical claims. Once a case is "short form closed" – which happens automatically and immediately if the case meets a set of pre-determined criteria – payment of such medical claims is automatic up to a pre-set limit. GAO's 71% rating is largely driven by its apparent application of a standard of its own making to the short form closure cases – apparently computed by subtracting out the "down time" (GAO's term for the period of time such a case is in SFC status) and then adding the time before and after the closure period to measure against the 45 day standard. This approach is inappropriate for several reasons, but primarily because the vast majority of SFC cases never reopen, and hence using the GAO methodology would never be counted as processed, despite the fact that up to \$1500 in medical bills may be promptly paid on each such claim. In 1999 OWCP established a separate measure for adjudicating SFC cases once one of the triggers requiring formal adjudication occurs. Since then, approximately 85-90% of such "reopened" cases are adjudicated within this separate 45 day standard. We believe our statistics are valid, and fairly represent the actual level of service being provided.

The discrepancy on occupational disease case adjudication (GAO – 84%; OWCP – 90%) is very near the confidence interval described in the GAO report, and hence may be a statistical artifact. Since the SFC process does not apply to disease cases, it is reasonable to assume the GAO and OWCP measures are comparable for this category.

With respect to the timeliness of wage-loss claim processing, we believe the GAO sample is skewed. The report indicates that the 59%/63% outcomes were for claims for “the first compensation payment.” The OWCP system reported 85% relates to a larger universe – all payments generated from the receipt of a claim form, and multiple claims are frequently filed on the same case. This difference in the universe of cases measured likely explains at least the majority of the discrepancy between the OWCP and GAO figures. The issues cited in the report as contributing to delay – need to make an initial eligibility determination and the need to request additional information – would naturally occur most frequently in connection with the first payment on a particular case. However, once these actions are complete, supplementary payments can generally be done more promptly, as reflected in the higher overall percentages of timely payments captured by our system.

The findings of the report focus heavily on the inability of GAO’s team to measure all segments of FECA claims filing and processing based on the data collected by OWCP. Two of the three recommendations for OWCP relate to this issue. (The third deals with the so-called “short form closure process, which I will address later.) The data systems OWCP uses to measure its own and employing agency performance were developed over many years and are currently under review as part of a general system redesign and replacement effort. OWCP will take advantage of this review opportunity to sharpen our measures where we believe that would yield improved performance and transparency. However, several important observations should be kept in mind in assessing these measurement systems.

First, the report suggests that many, perhaps most, delays in FECA case processing stem from the failure of the injured worker to file the claim timely or to submit all the needed information at the time of filing (see Conclusions, page 16). While claimant delays may sometimes be the root cause of the overall delay, it is the responsibility of OWCP and the employing agency, acting as partners, to ensure that injury claims are processed as timely as possible. Cases delayed by the claimant’s own inaction are, in effect, their own reward; but delays engendered by the employing agency or OWCP are precisely what those two parties should be focused on avoiding. Accordingly, OWCP’s performance tracking systems are directed at its own activities and those of the employing agency, since those are the areas where management has responsibility and where management improvements can be expected to be effective. We believe this is the appropriate approach; attempting to focus on speeding the actions of injured workers, who are typically filing a claim for the first and only time, is likely to be fruitless and may actually be counterproductive.

For example, the report notes that OWCP’s CA-7 form, claim for wage loss benefits, does not capture the date the claimant submits the form to his or her

supervisor, and the team therefore reported it was unable to determine if claimants were unduly delaying the processing of their own claims. OWCP has explained that we strongly encourage employing agencies to act on their own responsibility to initiate the CA-7 filing process when they become aware that a claimant will likely continue to be disabled beyond the 45 day continuation of pay (COP) period. We believe that collecting data to emphasize the claimant's own responsibility for timely filing in this circumstance would actually encourage agencies to wait for the claimant to submit the CA-7, instead of initiating the process before the end of the COP period as they should and as provided in OWCP's guidelines. By measuring the agencies' performance starting from the date the claimant signs the CA-7 form, OWCP is placing the burden of timeliness where it primarily belongs – on the employing agency personnel, not on the injured worker.

Similarly, the report concludes – and apparently recommends – that OWCP's system of measuring its own timeliness in processing wage-loss claims should separate out claims for which an initial eligibility determination has not been made. OWCP's performance tracking system holds its staff responsible for meeting the 14-day timeliness standard in traumatic cases which have not been adjudicated, even though the examiner often must request additional information and therefore may not be able to meet the standard. The GAO recommendation is apparently that OWCP should not “start the clock” on such wage-loss claims until the initial eligibility or other determination is completed, so that the Office can be assured that the 14-day standard for CA-7 processing will be met, once all the necessary antecedent information and decisions are in place. However, in practice this would mean that claims examiners would have no incentive to try to quickly obtain the missing eligibility information, and a greater percentage of these claims would encounter a much longer delay while in this “deferred” stage. The net effect of applying the recommended change would be to increase, rather than reduce, delays claimants experience in receiving their benefits.

As noted, the operation of a workers compensation system like FECA entails complex and intertwined processes, and changes made in one stage can have significant impact on later activities. The report emphasizes that in about 69% of the cases reviewed, OWCP claims examiners were obliged to go back to the employing agency and/or claimant for more information – resulting in delays for the overall process. Accordingly, the report recommends that USPS encourage injured workers to submit complete information with their claims, and USPS supervisors to submit “only complete WCP claim forms....” OWCP certainly would endorse the idea of eliminating extra steps through improving the completeness and accuracy of initial submissions. But while completeness is a virtue, in many cases it simply can't be achieved within a reasonable time. If agencies hold on to initial claims to ensure that all possible information is

compiled, OWCP's initial receipt of the claim record may be delayed, which in turn leads to the denial of payable medical bills because there is no record of the injured worker or the injury in OWCP's system, which in turn leads to disgusted medical providers and frustrated injured workers.

Short Form Closure Process

As a separate matter, your report concludes that the "short form closure" process may result in "greater than anticipated erroneous WCP payments" and recommends that OWCP monitor and review the appropriateness of the process. In brief, this process entails authorization of the prompt payment of medical treatment for minor, uncontested injuries without the investment of valuable claims staff time. OWCP determined that a majority of simple, non-controversial injury cases never involve anything more than medical benefits, and hence need only be placed in a status allowing for such benefits to be paid without a complete review and formal determination of eligibility. The SFC procedure was adopted in 1993 as a means of re-directing scarce staff resources to more critical and productive adjudication, compensation payment and case management activities.

Here again, OWCP believes that the sample of cases the GAO team reviewed was not representative of the entire universe of SFC cases. The 188 cases reviewed were limited to postal claims which contain a CA-7 claim for wage loss benefits and/or a schedule award for compensation based on permanent partial impairment. Because these claims therefore involve wage loss and impairment, they by definition entail more serious injuries, exactly the category of claims the SFC process was **not** designed for. A study of SFC cases created in FY 2001 demonstrated that 74.4% of these claims remain in a closed status more than one year after the injury. The GAO sample was exclusively drawn from cases that would fall within the 26% that do "reopen" when the claim for wage-loss or schedule award is received, and totally ignores the 74% for which the procedure was designed. Accordingly, we do not believe this sample is appropriate for making inferences about the effectiveness or accuracy of the overall administrative closure process.

The report asserts that 3% of SFC cases reviewed were ineligible for benefits based on the fact that they were ultimately denied, and based on this finding suggests that the whole procedure needs to be reassessed. We do not concur with the team's findings on four of the six cases labeled as erroneous. Our reasoning on each of the cases is specified in the enclosed appendix. Notwithstanding the skewed sample, the corrected error rate of 1% parallels the findings of our 1993 pilot test. Thus we disagree that the GAO study has identified "greater than anticipated erroneous WCP payments."

Nevertheless, OWCP is currently reviewing the precise rules and criteria used in implementing the administrative closure process as part of our business and data system redesign. While we remain convinced that the administrative closure process enables us to promptly and effectively serve the majority of federal injured employees with minimal administrative costs and delay, we will continue to work to enhance its effectiveness and ensure that it is properly executed.

The enclosed appendix identifies specific comments/corrections regarding the text of the draft report, including specific comments regarding the six SFC cases cited as ultimately denied.

Thank you for the opportunity to provide comments on this study.

Sincerely,



SHELBY HALLMARK
Director, Office of
Workers' Compensation Programs

Enclosure

Objectives, Scope, Methodology, and Sampling Plan

To provide information requested by Chairman Horn, our objectives were to determine

- the extent to which Postal Service employees provided all of the evidence required by Office of Workers' Compensation Program (OWCP) regulations for determining eligibility for WCP benefits and
- whether claims for WCP eligibility and WCP compensation payments for lost wages or schedule awards were submitted and processed within the time frames set forth in OWCP regulations or performance standards.¹⁷

We reviewed a statistically valid sample of Workers' Compensation Program (WCP) case files to determine whether U.S. Postal Service claimants submitted the evidence required for eligibility determinations, as well as to determine the time required by the claimants, the Postal Service, and OWCP to process claims and make entitlement and compensation award decisions. Specifically, our review was designed to obtain information on (1) when employees reported their injuries and the related evidence to prove the sufficiency of their claims, (2) the amount of time that Postal Service supervisors and officials took to process employees' claims and forward them to OWCP, and (3) the amount of time that OWCP took to process the claims and determine eligibility for benefits. Additionally, we analyzed the impact that OWCP's Short Form Closure (SFC) case program had on the eligibility determination processing times associated with our sample traumatic injury cases. Our work did not include an analysis of any time involved in the appeals process of any claim we reviewed; nor did we evaluate the appropriateness of OWCP's decisions on the claims or make an assessment of all types of claims involved in the WCP. We performed our work from January through December 2002 in accordance with generally accepted government auditing standards and obtained comments on the results of our work from OWCP and the Postal Service.

Workers' Compensation Case File Review Development and Design

We randomly sampled 484 Postal Service employee WCP case files at the 12 OWCP district offices located throughout the country. For the 12-month period beginning July 1, 1997, we obtained case file records for injuries that occurred or were recognized as job-related during this period. We chose this period of time because we believed that it was current enough to reflect ongoing operations, yet historical enough for most, if not all, of the claims to have been decided upon. The cases we reviewed were randomly selected on the basis of the type of injury involved—traumatic or occupational—as well as on the basis of their approval or nonapproval for WCP benefits and compensation or schedule award payments.

We developed a data collection instrument to capture all the appropriate information from OWCP's case files and OWCP forms used to file a claim for WCP benefits and compensation payments for lost wages and schedule awards, along with any relevant information from OWCP or Postal Service officials. We visited each of the OWCP district offices to review each selected case file individually, compiling the claims information directly into our

¹⁷OWCP regulations specify the time frames during which injured federal employees and federal agencies are to submit and process WCP-related forms; OWCP performance standards provide the annual operational performance goals or time frames during which OWCP claims examiners are to process WCP-related forms.

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automated data collection instrument. In addition, we interviewed OWCP and Postal Service officials in Washington, D.C., as well as the district office directors in Washington, D.C., and Dallas, Texas, to discuss and collect pertinent program information regarding the processing of employees' claims for WCP eligibility and for compensation for lost wages and schedule awards.

Sampling Methodology

The population from which we selected our sample reflects Postal Service employees who, as of June 30, 2001, submitted claims for compensation for lost wages or schedule awards for injuries that occurred, or were recognized as job-related, during the 12-month period beginning July 1, 1997. In order to report results for traumatic injury and occupational disease claims, and to report results on claims of both types whether compensation was paid or not, we stratified our population into the following four strata on the basis of information from the sample frame:

1. The employee filed a "Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation" form (Form CA-1) and received payment for compensation for lost wages or a schedule award.
2. The employee filed a "Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation" form (Form CA-1) and did not receive payment for compensation for lost wages or a schedule award.
3. The employee filed a "Notice of Occupational Disease and Claim for Compensation" form (Form CA-2) and received payment for compensation.
4. The employee filed a "Notice of Occupational Disease and Claim for Compensation" form (Form CA-2) and did not receive payment for compensation.

The size of the population in each of these four strata was 3,872; 1,232; 2,967; and 873, respectively. The number of sample cases obtained from each of the four strata was 198, 106, 143, and 96, respectively. We initially selected somewhat higher numbers of sample cases. If we were not able to obtain the file for a particular sample case, we substituted cases from the additional randomly sampled cases.

Sampling Results and Confidence Interval of Estimates

We followed a sampling procedure designed to draw 543 cases from the agency's files. Of these 543 cases, we located and reviewed 484 (180, 96, 128, and 80 in each strata, respectively). A sampling error indicates how closely we can reproduce from a sample the results we would have obtained if we had reviewed every OWCP case file. By adding the sampling error to and subtracting it from the estimate, we can develop upper and lower bounds for each estimate. This range is called the confidence interval. Sampling errors and confidence intervals are stated at a certain confidence level—in this case, 95 percent. The 95 percent confidence interval for proportion estimates of the total population was no greater than plus or minus 5 percentage points. The 95 percent confidence interval for proportion estimates applied to individual strata was no greater than plus or minus 10 percentage points. Confidence levels for other types of estimates, such as averages, medians, and totals, depended on the variability of the sample values. We used SUDAAN software to make population projections. Table 3 lists the confidence intervals for selected information from our case file review.

Table 3: Sampling Results

Description <i>(Agency performance measures listed in italics)</i>	Percentage of sample cases, except where noted	95 percent confidence interval	
		From	To
Length of time to process claims to determine WCP eligibility-- traumatic injury			
Date of traumatic injury to date Postal Service supervisor received notice of injury form (OWCP Form CA-1) <i>(within 30 calendar days)</i>	94.69	91.30	97.10
Date Postal Service supervisor received notice of injury form (OWCP Form CA-1) to date OWCP received form <i>(within 10 working days)</i>	73.11	67.70	78.50
Date OWCP received notice of injury form (OWCP Form CA-1) to date of notice that eligibility for WCP benefits has been established <i>(90 percent of the cases processed within 45 days)</i>	41.26	34.90	47.60
Date OWCP received notice of injury form (OWCP Form CA-1) to date of notice that eligibility for WCP benefits has been established. [Estimate considers effect of SFCs] <i>(90 percent of the cases processed within 45 days)</i>	70.56	64.70	76.40
Total processing time for 25 percent of cases: date of injury to date eligibility for WCP benefits established. <i>(Estimate deducts down time associated with SFCs)</i>	46.73 days	41.20	58.18
Total processing time for 90 percent of cases: date of injury to date eligibility for WCP benefits is established. <i>(Estimate deducts down time associated with SFCs)</i>	380.88 days	260.55	464.55
Length of time to process claims to determine eligibility -- occupational disease			
Date occupational disease was recognized as job-related (OWCP Form CA-2) to date Postal Service supervisor receives notice of occupational disease form <i>(within 30 calendar days)</i>	48.51	41.00	56.10
Date Postal Service supervisor received notice of occupational disease form <i>(OWCP Form CA-2) to date OWCP received form (within 10 working days)</i>	64.12	56.70	71.50
Date OWCP received notice of occupational disease form (OWCP Form CA-2) to date of notice that eligibility for WCP benefits has been established <i>(70 percent of the cases processed within 6 months)</i>	84.16	77.80	89.30
Total processing time for 25 percent of cases: date disease recognized as job-related to date of notice that eligibility for WCP benefits is established	77.88 days	68.19	92.24
Total processing time for 90 percent of cases: date disease recognized as job-related to date of notice that eligibility for WCP benefits is established	577.44 days	447.34	666.68
Length of time to process claims for compensation for injuries – traumatic injury			
Date OWCP received claim for compensation to date of claim processed for first payment. <i>(OWCP Form CA-7) (80 percent of claims processed within 14 days of receipt)</i>	58.63	50.2	67.1
Length of time to process claims for compensation for injuries – occupational disease			
Date OWCP received claim for compensation to date of claim processed for first payment. <i>(OWCP Form CA-7) (80 percent of claims processed within 14 days of receipt)</i>	63.14	52.8	73.5
Additional estimates			
Percentage of claims with COP requested	55.64	52.0	59.2
Percentage of claims with annual or sick leave requested	11.09	8.3	14.5
Overall: Percentage of claims for which OWCP requested additional information	68.72	64.20	73.30
Percentage of claims for which OWCP requested additional information--traumatic injury	63.60	57.50	69.70
Percentage of claims for which OWCP requested additional information-occupational disease	76.51	68.90	83.00
Overall: Percentage of claims with evidence that met all five OWCP required elements	98.74	97.30	99.50

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Percentage of claims with evidence that met all five required elements – traumatic injury	99.08	97.10	99.80
Percentage of claims with evidence that met all five required elements– occupational disease	98.25	95.40	99.60

Source: GAO analysis of OWCP data.

GAO Contacts and Staff Acknowledgments

GAO Contacts

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