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STATEMENT OF  
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UNITED STATES GENERAL ACCOUNTING OFFICE  
BEFORE THE  
SUBCOMMITTEE ON LABOR STANDARDS  
OF THE  
COMMITTEE ON EDUCATION AND LABOR  
HOUSE OF REPRESENTATIVES  
ON  
INJURY COMPENSATION PROCESS DELAYS PROMPT  
PAYMENT OF BENEFITS TO FEDERAL WORKERS



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Mr. Chairman and members of the Subcommittee, we appreciate the opportunity to discuss our report on the processing of claims under the Federal Employees' Compensation Act:

"Injury Compensation Process Delays Prompt Payment of Benefits To Federal Workers", HRD-81-123, dated September 25, 1981. Our discussion today will focus on administrative deficiencies that affect prompt delivery of benefits to Federal workers injured on the job, their causes, efforts to improve claims processing, and our recommendations for further improvement.

We reviewed claims processing at the request of members of the Congress who were concerned that administrative deficiencies caused delays in claims processing.

BENEFITS, ADMINISTRATION, AND  
PROCEDURES FOR MAKING CLAIMS

The act authorizes compensation benefits and seeks to provide prompt and reasonable income to disabled workers whose regular paychecks are interrupted by job-related injuries. In general, the act covers all civil officers and employees of any branch of the Federal Government. About 3 million Federal employees (and certain non-Federal employees, such as law enforcement officers injured in connection with Federal crimes) are covered under the act. The act is the only remedy an injured Federal worker has against the U.S. Government.

The act is administered by the Department of Labor's Office of Workers' Compensation Programs (OWCP). In OWCP the Division of Federal Employees' Compensation develops policies and procedures for the 15 district offices responsible for making decisions on claims.

Workers who sustain job-related injuries are primarily responsible for initiating the required forms that give notice of injury and establish claim for benefits. The form "Notice of Injury" is required in each case of injury; serving as the basis for (1) electing continuation-of-pay (COP) in traumatic injury cases, (2) paying the medical bills, and (3) establishing that the injury was employment related. If disability continues beyond 45 days in traumatic injury cases or the worker was not eligible for COP, workers may claim compensation for lost wages by filing the form "Claim for Compensation" with their employing agencies. When injury and claim forms are received, Federal agencies must complete their portion and submit them to Labor.

In addition to employment data all claims require supporting medical evidence. Generally, Labor relies on physicians and other medical providers to forward reports of medical services provided and related charges.

Once workers, Federal agencies, and physicians submit the proper forms and supporting evidence, OWCP claims examiners in the district offices decide whether workers are entitled to benefits. In making that determination, claims examiners may obtain any additional information they consider necessary from witnesses, Federal agencies, physicians, or a consulting physician(s).

Workers dissatisfied with a district office decision may request a hearing before the Branch of Hearings and Review in the Division of Federal Employees' Compensation.

They may also appeal decisions to the Employees' Compensation Appeals Board whose decisions are final and conclusive and binding on all parties.

ADMINISTRATIVE DEFICIENCIES  
DELAY CLAIMS PROCESSING

To evaluate timeliness of claims processing, we reviewed a sample of 564 compensation payments made during the first 6 months of fiscal year 1980. Payments were made by the OWCP district offices in Cleveland, Denver, Jacksonville, and Washington, D.C. The 564 payments represented 380 for wage loss, 94 for leave buy-back, 65 for scheduled awards, and 25 in lieu of retirement benefits. Because wage loss claims are most likely to involve financial hardships for workers and because they were the largest number of claims in our sample, processing times in our report and in this statement deal primarily with the 380 claims for wage loss.

Our review of the 380 claims for wage loss, where data were available, showed that about 98 percent were not timely. Average processing times, from the date workers made claim to the date of payment were 129 days for traumatic injuries and 270 days for occupational diseases. Comparing processing time by segment and criteria shows that:

--Workers averaged 25 days for traumatic injuries and 164 days for diseases to submit their claims. Labor's regulations require claims to be submitted within 5 days after the end of COP or within 10 days after

- pay stops if workers are not entitled to COP. Generally, occupational disease claims are due within 10 days after pay stops if the disability is limited.
- Federal agencies averaged 24 days for traumatic injuries and 33 days for diseases to process workers' claims. Labor's regulations allow 5 days for traumatic injuries and 10 days for diseases. These times include the days allowed workers to submit their claims.
  - Physicians averaged 40 days in traumatic injuries and 115 days in diseases to complete initial medical reports. Labor's regulations require an "immediate medical report".
  - Labor averaged 105 days in traumatic injuries and 237 days in diseases to process and pay claims. Labor's standard for processing claims for payment is 5 days. That standard is predicated on the basis that the claim was payable when received.

#### Causes for delays

We found that workers, Federal agencies, physicians, and Labor contributed to delays in claims processing. Workers and their Federal agencies did not file timely and fully documented injury notices and claims. Physicians' reports were often untimely and incomplete. Also, Labor's actions, which

are handled primarily through the mail, to (1) resolve questions about notices of injury and (2) develop and pay claims were not timely.

As illustrated by our report, failure to timely file claims, provide complete injury details, and develop claims can delay benefits to injured workers.

Reasons why workers, Federal agencies, and physicians are not prompt with their claims processing responsibilities were not determinable from the case files. Labor and other Federal officials told us, however, that there were a number of reasons. Workers do not fully understand their responsibilities, are lax in completing claims forms, and are careless about providing details on the cause of injury. Supervisors and compensation clerks do not fully understand the procedural requirements of the injury compensation program and compensation clerks often have additional duties. Also, they said that physicians often do not follow instructions for furnishing medical reports, do not provide necessary medical rationale to justify opinions on the relationship between injuries and employment, and provide only information that workers want documented.

The inadequacy of injury details is a processing problem that cannot always be assessed to workers, Federal agencies, or physicians. Particularly, for disease cases, the evidence required to determine whether a condition is job-related may not be readily available. If available, workers and Federal agencies may not know when the evidence is adequate--because

that decision rests with Labor. Similarly, physicians may not have definite answers on job-relatedness because of the uncertainty surrounding cause-effect relationships.

With Labor, no one cause can be cited for delays. Our review showed that several factors such as a large claims workload and problems with staffing contributed to the delays. The growth rate of Labor's workload has moderated in recent years but over the past 10 years it has been substantial. For example, during fiscal years 1970-79, notices of injury or death increased by 72.7 percent and claims for compensation by 73.3 percent.

Perhaps the most significant impact on Labor's workload was from the 1974 amendments to the act. The Congress in enacting the COP amendment in 1974, sought to improve timeliness while reducing the number of claims. Following the 1974 amendments, however, the number of wage loss claims escalated dramatically. During fiscal year 1974, workers filed about 12,000 wage loss claims. During fiscal year 1976, the first full year after the amendments, the number rose to about 80,000 and, during fiscal year 1979, surpassed the 90,000 mark. These increases occurred even though the Federal work force remained fairly stable. Thus, instead of a decrease in claims filed, the number of claims for lost-time injuries increased. Furthermore, Labor's administrative work was increased substantially because the COP amendment required decisions in addition to those on entitlement to benefits existing before the COP

amendment. Also, Labor must notify Federal agencies of its decisions that COP was or was not paid properly.

Insufficient staff has contributed to OWCP's processing problems and backlog of claims awaiting review. Although permanent staff allocated to OWCP has increased from 472 positions in fiscal year 1972 to 853 in fiscal year 1981, an OWCP study in August 1978 concluded that more permanent staff instead of temporary employees was needed. Inadequate staff contributed to problems with meeting work standards necessary to process and pay claims. Staff turnover, which was attributable in large part to heavy caseloads, was a problem at one district office. In addition, a shortage of medical directors, whose duties are to advise claims examiners on the medical aspects of claims at district offices, contributed to the large backlog of claims awaiting their review.

LABOR'S ACTIONS TO  
IMPROVE CLAIMS PROCESSING

Labor has taken or has planned actions to help workers, Federal agencies, and physicians better understand their claims processing responsibilities. For example, Labor has (1) issued instructions requiring agencies to provide their workers pamphlets and place posters in the workplace describing what to do when injured; (2) conducted seminars and workshops for personnel of the Federal agencies on injury reporting and claims processing; (3) begun an experiment with electronic transfer of claims; and (4) begun to develop a national medical program to improve cooperative efforts with the medical community.



Internally, Labor's most comprehensive action to improve claims processing is automation of its manual claims processing system. Labor officials said that through automation the claims backlog can be reduced and productivity improved. If current schedules hold, the automated system is to be fully operational by the mid-1980's. Stages of the system, however, are now operational and are helping Labor to better manage and process claims.

Other actions to improve claims processing include development of a management information system, improved procedures for handling inquiries, and better guidance and training for claims examiners.

In addition to administrative actions, Labor has proposed legislative changes on pay increases for its medical staff and changing the appeals process to correct problems slowing claims processing. Labor, for example, has proposed legislation to authorize pay to physicians in excess of the current pay limitation for general schedule employees. Labor officials believe this would help them attract physicians skilled in the evaluation of difficult injury cases, especially diseases.

#### CONCLUSIONS AND RECOMMENDATIONS

Based on the results of our review, we believe that --Labor's actions to help agencies inform workers about their rights and responsibilities before injuries occur are generally sufficient. However, agencies' efforts to promote awareness of the injury compensation program were sporadic.

--Delays resulting from supervisors and compensation clerks not having adequate knowledge about claims processing and the clerks having additional duties are problems that must be dealt with by Federal agencies.

--Labor's actions should be expedited to inform physicians of their roles and responsibilities. Its actions recognize that well-informed physicians are essential to timely claims processing.

--The problems of workload and staffing may be lessened significantly through Labor's recent actions to improve claims processing. Until these actions are fully implemented, however, it is difficult to determine their impact on improving timeliness.

We also believe that Labor's use of a through-the-mails operation for claims processing, rather than one of onsite investigations and personal contact, diminishes its ability to gather information vital to making prompt determinations of workers' eligibility to receive compensation benefits. An alternative would be to adopt claims processing techniques used in the workers' compensation insurance industry. Such techniques emphasize onsite investigations to gather injury details and immediate, close, and continued personal contact with injured workers, their employing agencies, and physicians. Additional claims processing responsibilities incorporating similar techniques could be delegated to Federal agencies.

- We have recommended that the Secretary of Labor
- reemphasize to Federal agencies the need to provide workers with pamphlets and to post and maintain injury posters in the workplace;
  - encourage Federal agencies to use their local newspapers for periodic reminders to workers on benefits for work-related injuries;
  - develop a flow chart type checklist outlining workers' rights, responsibilities, and procedures for claiming benefits for work-related injuries;
  - provide Federal agencies with periodic reports on the time it takes them to process claims before the claims are submitted to Labor for adjudication;
  - ascertain whether the electronic transfer of compensation data between Labor district offices and other Federal agencies would improve claims processing and, if so, implement the use of such electronic data transfer techniques where appropriate; and
  - expedite the development of a national program to improve cooperative efforts with the medical community.

To the Director, Office of Management and Budget (OMB), we have recommended that in view of the potential advantages that could stem from adopting compensation techniques used in the workers' compensation insurance industry, the Director should determine the feasibility of placing in the Federal

agencies specific processing and monitoring responsibilities for workers' compensation claims. If the Director determines that placing additional claims processing responsibilities in the Federal agencies is feasible, he should submit legislation to the Congress to so amend the act.

AGENCY COMMENTS  
AND OUR EVALUATION

Labor concurred with our findings for causes delaying compensation payments to injured Federal workers and agreed to take action on our recommendations.

Labor believed that, while our statistics on its processing times were probably accurate for the time of our review, Labor's statistics on the processing of traumatic notices of injury indicate that current processing times are better. According to Labor, the improvement in processing traumatic injury notices reflects considerable improvement in making compensation payments. Labor expects further improvements through automating compensation payments and from legislation proposed by the administration which would free the processing system from many minor injuries, thus allowing OWCP's claims examiners more time to concentrate on cases with compensation claims.

Regarding our proposal that OMB determine the feasibility of delegating to Federal agencies additional claims processing responsibilities, Labor stated that it was preparing regulations to require Federal agencies to provide improved claims information and conduct investigations (for OWCP).

OMB stated that determining whether Federal agencies should take on added responsibilities would not be meaningful at this time. OMB cited Labor's actions to improve the processing of claims and the administration's proposed legislation to correct a number of deficiencies in the act as its basis for not undertaking the study.

We believe that Labor's actions to improve claims processing will result in more timely processing of claims. However, this does not necessarily mean that compensation payments will be made more promptly. Many of the claims in our sample were not payable at the time Labor received them because additional medical and employment data were required. Thus, estimates on the extent of improvement in timeliness are speculative until Labor's automated compensation system can accurately show processing times for wage loss claims.

Labor's actions to promulgate regulations requiring Federal agencies to provide better claims information and make investigations are in line with our recommendation to increase Federal agencies' involvement in the injury compensation program. Labor's authority however, to further increase their involvement to the extent we are recommending may be limited.

We disagreed with OMB's position not to determine at this time the feasibility of placing in the Federal agencies added responsibility under the program. We continue to believe that adopting compensation techniques used in private industry would further improve the handling of claims and other compensation matters under the program.

Mr. Chairman, this concludes our prepared statement. We would be pleased to respond to any questions that you or other members of the Subcommittee may have.

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SUMMARY OF GAO STATEMENT  
SUBMITTED TO THE  
SUBCOMMITTEE ON LABOR STANDARDS  
OF THE HOUSE COMMITTEE ON EDUCATION AND LABOR  
ON INJURY COMPENSATION PROCESS DELAYS PROMPT  
PAYMENT OF BENEFITS TO FEDERAL WORKERS  
NOVEMBER 12, 1981

Payments of benefits under the Federal Employees' Compensation Act are not being made on time as measured by the Department of Labor's criteria for timeliness. Delays occur at each level of claims processing. GAO found that injured workers, their employing agencies, physicians, and Labor contribute substantially to delays. The average processing times from the date workers made the claims to the date of payment were 129 days for traumatic injuries and 270 days for occupational diseases. In most cases, the criteria allow 5 to 10 days, respectively, for workers and Federal agencies to submit claims and Labor 5 days to make payment.

Labor has taken or has planned actions to help workers, Federal agencies, and physicians become more aware of their rights, responsibilities, and roles in the injury compensation program. Labor has also taken or has planned actions to improve its claims processing. The effect of these actions on timeliness cannot yet be determined because some planned actions have not been implemented. GAO is recommending that Labor take additional actions to improve claims processing times and that the Office of Management and Budget consider assigning more claims processing responsibilities to Federal agencies to help improve timeliness.

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