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GAO

United States General Accounting Office
Washington, DC 20548

OIGSS

MR. DUNN

Office of
General Counsel

In Reply

Refer to: B-200101 (HID)

[Conversion of Health Care Financing Administration to Merit Pay System]

November 28, 1980

Do not make available to public reading room

Mr. Chester C. Stroyny
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Division of Program Management
Medicare Bureau, HCFA
Department of Health and Human Services
Region V - Chicago
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Dear Mr. Stroyny:

We refer to your inquiry dated August 20, 1980, concerning the administrative procedures which your agency, Health Care Financing Administration, will be applying at the time you are converted to the merit pay system. You indicate concern with what you perceive as a gross inequity in the effect of the conversion process on your compensation base for merit pay purposes. Specifically, you question what relief is available for those employees who will receive no compensation for time-in-grade toward their next step increase at the point of merit pay conversion.

Pursuant to statute, disbursing officers, heads of executive departments, certifying officers and claimants whose claims have been disallowed are entitled to a formal decision by the Comptroller General of the United States, 31 U.S.C. §§ 74 and 82d. As you do not solicit an opinion in one of these capacities, this Office will not provide you with a binding decision in this matter at this time. However, the following information may be helpful.

Your inquiry illustrates a problem that the Office of Personnel Management (OPM) agrees is genuine because the Civil Service Reform Act has no provisions which cover the transition from the General Schedule to merit pay.



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To illustrate what you perceive as an inequity in the implementation of merit pay, you cited the example of your colleague who because of a WIGI in September, will be getting a double pay increase consisting of the WIGI and a merit pay increase. However, those employees who would be eligible for a WIGI after October 5 would benefit from only a merit pay increase and would receive no compensation for any of the time put in toward the WIGI. You feel that you are being penalized for being a manager and entering this system. To alleviate this problem, you suggested to your Regional Personnel Officer that WIGIs' be prorated so that credit can be given for the time spent toward a WIGI. For example, you would receive the equivalent of a WIGI of 83 percent (20 of 24 months), which would be \$890. In response to this suggestion, your merit pay coordinator replied that no WIGIs were to be given to merit pay employees after October 5; these increases could not be prorated; and that no means of compensation could be made.

However, personnel from our Federal Personnel and Compensation Division discussed this situation with OPM's Merit Pay Program Manager, Mr. Eric Carroll, who told them there is a method for compensating an employee for such service. He stated that since proration of WIGIs was not allowed, a means of rectifying situations such as yours had to be devised. Included in the Code of Federal Regulations (5 C.F.R. § 540.105(a)) is guidance to aid agencies in handling such a situation:

"Each agency shall establish a procedure for determining in a fair and objective manner the amount of merit pay increase that shall be granted each Merit Pay System employee. The amount of merit pay increase * * * may also take into consideration the grade level of the employee, the position of the employee's existing rate of basic pay within the range of basic pay for the employee's grade, the period of time since the employee's last increase in rate of basic pay, * * * and the amount of such last increase in rate of basic pay."

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The regulation implies that agencies can make such considerations so employees such as yourself will be equitably compensated. Situations in which an employee would be getting a WIGI shortly before the merit pay conversion could also be taken into consideration in making the merit pay determination according to this guidance.

OPM recognizes that all agencies may not choose to implement this guidance for rectifying cases such as your own; however, if this guidance is followed, these situations could be relieved somewhat.

In short, OPM wanted to remedy this situation but was unable to provide any more specific regulations because to do so might have put OPM in a position of directing an additional appropriation of funds which, according to OPM, they are not authorized to do.

OPM also stated that even if this guidance is not followed, the inequities which would arise initially would be worked out during the years of merit pay operation. They stated that employees who did not receive a WIGI prior to conversion could receive a larger merit increase than those who had received a WIGI prior to conversion, assuming both had the same level of performance. Eventually, according to OPM, both types of employees would receive equal salaries given that their job performance is the same.

We hope that this information will be of some assistance to you.

Sincerely yours,

Herbert I. Dunn
Attorney-Adviser