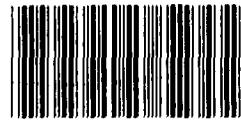


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UNITED STATES GENERAL ACCOUNTING OFFICE  
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STATEMENT OF  
ROSSLYN KLEEMAN  
ASSOCIATE DIRECTOR  
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BEFORE THE  
SUBCOMMITTEE ON MANPOWER AND HOUSING  
OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS  
ON  
THE CIVIL SERVICE DISABILITY RETIREMENT PROGRAM

Madam Chairwoman and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee today to discuss our past work and concerns with the civil service disability retirement program. During the past 5 years, we have issued a number of reports on the program identifying problems and improvements needed. (See attachment.) Actions by the Congress and the Office of Personnel Management (OPM) have resolved some issues by eliminating unwarranted benefits and tightening eligibility criteria. However, more needs to be done to reduce program costs and speed up claims processing.

Disability retirements account for about one-fourth of all retirements under the civil service system. In 1980, there were 343,000 annuitants on the rolls who received disability benefits

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totaling \$2.5 billion. OPM is responsible under the law for administering the civil service retirement program, including the disability provisions.

We are focusing our testimony today on two areas of particular interest to the Subcommittee--more effective actions to remove the economically and medically recovered disabled annuitants from the rolls and timely processing of disability claims. In reports issued in 1976, 1978, and 1980, we urged OPM to make greater efforts to identify disabled retirees who have recovered medically or economically. Before age 60, those considered temporarily disabled are by law subject to annual medical examinations until they are determined to be recovered or permanently disabled. Also until age 60, all disabled annuitants are subject to an earnings test. Economic recovery is assumed if, in each of 2 consecutive years, annuitants' earnings equal or exceed 80 percent of the current pay for their last Government jobs. We reported that OPM's review process did not insure that decisions on annuitants' health are based on current medical evidence. Furthermore, we said OPM inadequately monitored outside employment, did not verify earned income, and operated within a legislated income limitation that retirees can circumvent.

OPM's medical reviews of temporarily disabled retirees have been delayed due to backlogs and at times suspended because of heavy workload involving initial disability claims. In May 1980, OPM had a 15-month backlog of cases to be reviewed.

As a matter of policy, OPM does not conduct medical reviews of annuitants whose disabilities are determined to be permanent, since it assumes that recovery is unlikely. Annual earnings surveys of these retirees consistently identified about 4,000 annuitants with strong earnings potential, but less than 200 each year met the criteria for economic recovery and were dropped from the rolls. However, the vast majority displayed annual earnings from 50 to 75 percent of what they would have earned in their prior Federal job. We believe that OPM should conduct a medical review when a permanently disabled annuitant exhibits a strong earnings trend.

Another concern we have is that the 2-year earnings test allows annuitants to manipulate their incomes and remain on the disability rolls. OPM surveys identified individuals who earned substantially more than the pay of their prior jobs over a 2-year span, but are not considered recovered because earnings in 1 year were less than 80 percent of the pay for that position. Last year, OPM supported proposed legislation which would have changed the earnings test to a 1-year period. We support such a change.

OPM's surveys to identify economically recovered annuitants have not been timely. OPM has no milestones or deadlines for accomplishing the annual earnings surveys. As a result, the surveys drag out for years and overlap subsequent surveys of more recent years. For example, in December 1980, we reported that as part of its survey of 1978 earnings, OPM in mid-1980 sent second notices to 17,000 annuitants who failed to respond to the first

request. OPM estimated that 9,000 did not respond to the second notice and planned to send a third request for 1978 earnings data late in 1980.

In preparation for this hearing, we followed up on OPM's actions. OPM officials told us that they did not send a third request as planned and that about 7,000 retirees had not yet responded to the 1978 earnings survey. Although their procedures call for suspending payments to these annuitants, OPM did not do so because they could not identify who the 7,000 nonrespondents were. We were also told that OPM found that several boxes of survey responses were not processed by its keypunching contractor, yet no action was taken on these.

Finally, we are concerned that OPM has no method for verifying the accuracy of reported earnings. Until 1970, the Civil Service Commission, OPM's predecessor, compared reported earnings with Federal income tax data. We were told the procedure was discontinued because of public sentiment on releasing privileged information from tax returns. We recommended that the Congress consider the sensitive issue of using Federal tax returns to independently verify reported income of disabled retirees.

Delays in claims processing have been a problem at OPM for many years. In January 1978, our sample of cases showed that OPM took 129 days to process a disability claim. We recommended that OPM establish a standard to measure and assess the timeliness of claims processing. OPM did not set a standard for processing disability retirement claims and does not collect data on the

time it takes to settle them. We do not have current data on processing times for disability claims, but after medical approval of these claims, they are processed along with regular retirement claims. OPM's most current data shows that, as of April 1981, it took 106 days to settle regular retirement claims far exceeding its standard of 35 days.

Our studies found that OPM's failure to maintain a sufficient and experienced work force was the primary cause of processing delays. Other causes were a cumbersome claims process and incomplete and inaccurate data submitted by employing agencies.

This concludes my prepared statement. I will be happy to respond to any questions the Subcommittee may have.

Listing of GAO Reports on the  
Civil Service Disability Retirement Program  
and Processing of Retirement Claims

1. Civil Service Disability Retirement: Needed Improvements (FPCD-76-61, November 19, 1976)
2. Improvements Needed in Processing Civil Service Retirement Claims (FPCD-78-10, January 30, 1978)
3. Disability Provisions of Federal and District of Columbia Employee Retirement Systems Need Reform (FPCD-78-48, July 10, 1978)
4. Minimum Benefit Provision of the Civil Service Disability Retirement Program Should Be Changed (FPCD-80-26, November 30, 1979)
5. Civil Service Disability Retirement Program (FPCD-81-18, December 15, 1980)
6. Action Needed to Eliminate Delays in Processing Civil Service Retirement Claims (FPCD-81-40, July 20, 1981)