MANAGEMENT OF THE FEDERAL EMPLOYEES' COMPENSATION ACT PROGRAM AT THE DEPARTMENT OF VETERANS AFFAIRS

HEARING

BEFORE THE

SUBCOMMITTEE OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

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THURSDAY, MARCH 25, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m. in room 334, Cannon House Office Building, Honorable Terry Everett (chairman of the subcommittee) presiding.

Present: Representatives Everett, Brown and Peterson.

OPENING STATEMENT OF CHAIRMAN EVERETT

Mr. EVERETT. Good morning.

This Oversight and Investigations Subcommittee hearing will examine the Management of the Federal Employees' Compensation Act Program at the Department of Veterans Affairs. Management of the Workmans' Compensation Program at the VA has been a topic of OIG audits.

The purpose of these audits by the IG's office was to identify opportunities for the VA to reduce the cost of its workers' compensation program. The subcommittee wants to know what the VA is doing to contain the cost of this program, balancing effective management, and the concerns for the health and safety of the employees at the VA.

Our witnesses will be Deputy Director of Workers' Compensation Programs at the Department of Labor, the VA's Inspector General, and senior VA officials. This is another hearing about accountability within the VA.

The VA has a history of stating that management will be held accountable, but not following through and actually demanding and enforcing accountability. I might add that we saw that in the DOE recommendations some years ago. Only recently has VA started working on privatizing the energy sources which, according to DOE, would have saved $63 million dollars a year.

While this hearing is about accountability at the VA, it is also about recognition. The subcommittee has invited two VA health care network directors who, while working with the OIG, have implemented procedures that have saved money and developed some of the best practices in managing FECA claims, and they will tell us about that later today.

I am honored to recognize our ranking Democrat, Ms. Brown, for any opening remarks that she may have.

OPENING STATEMENT OF HON. CORRINE BROWN

Ms. BROWN. Good morning, Mr. Chairman. And good morning. I want to thank you for calling this important hearing to review ways of reducing the cost of VA's workers' compensation program.

Mr. Chairman, I ask unanimous consent that a statement by Mr. Evans be made part of the record.

Mr. EVERETT. Without objection.

[The statement of Hon. Lane Evans appears on p. 25.]

Ms. BROWN. Since 1916, the Federal Employees Compensation Act, known as FECA, has been providing federal employees with workers' compensation coverage for injuries and disease they sustain on their job.

Although not always appreciated until work-related injuries and illness strike, the right of workers' compensation benefits under FECA is one of the most important employment benefits federal employees have.

For federal employers, FECA is costly. In fiscal year 2000, VA estimated a need for more than $141 million to pay the workers' compensation claims of its health care employees, an estimated increase of nearly $4 million from fiscal year 1999.

When the Inspector General's Office recently reviewed the VA management of its workers' compensation program, they concluded that the Department was at risk for program abuse, fraud and unnecessary cost.

The IG focused on the fact that nearly 80 percent of the VA's workers' compensation payments go to claimants who have been on the rolls for over 5 years.

The IG's report did not note that such a payment distribution was common with the Federal Government, but instead recommended that VA concentrate most of its workers' compensation efforts on those long-term cases.

The IG said that VA needed to more effectively identify employees who could be brought back to work or should be removed from the rolls.

Working with several VA health care regions that we will hear from in our second panel, the IG's office has even developed a system and handbook to detect employee fraud through a series of fraud indicators.

Now, Mr. Chairman, the Department of Labor—the agency with responsibility for administering the workers' compensation program throughout the entire Federal Government—says that VA would get a greater bang for its administrative buck if it concentrated its resources on the front end of a workers' compensation claim.

Labor believes that VA should place its emphasis on: employee health and safety, timely claims processing, and early rehabilitation assistance.

Mr. Chairman, by having both the VA and Labor at the same table in Panel 1, this subcommittee will benefit from a constructive debate on how VA can reduce the high cost of its workers' compensation program.

It is critical to me, Mr. Chairman, that any means of reducing an agency high workers' compensation cost is never at the expense of the employees' right to receive the medical, compensation and rehabilitation benefits in which they are entitled.

One consoling fact, Mr. Chairman, even if we are not able to strike the ideal balance of reducing costs and employee protections today by holding this hearing, you at least have facilitated a new level of communication between key players and an important federal program.

Let the debate begin.

[The prepared statement of Congresswoman Brown appears on p. 26.]

Mr. EVERETT. I thank the gentlewoman for her statement.

I would like to welcome all witnesses testifying today. And I will ask all witnesses to strictly limit their oral testimony to 5 minutes. Complete statements will be entered into the record. And I would ask all members to limit their questions.

I do that because we're kind of in an unusual day over on the floor, and I do expect us, in at least an hour and a half, to be interrupted by a number of votes. I ask that we hold all our questions until the entire panel has testified.

I know would like to welcome and recognize Mr. Shelby Hallmark, Deputy Director of Workers' Compensation Programs at the Department of Labor; Honorable Richard Griffin, Inspector General of the VA; Michael Sullivan, Assistant Inspector General for Auditing; Ronald Cowles, Deputy Assistant Secretary for Human Resources Management; Dr. Fran Murphy, Veterans' Health Administration; and John Hancock, Director of the Occupational Health and Safety staff at the VA.

Please, if you will begin your testimony.

STATEMENT OF SHELBY HALLMARK, DEPUTY DIRECTOR THE OFFICE OF WORKERS' COMPENSATION PROGRAMS, EMPLOYMENT STANDARDS ADMINISTRATION, U.S. DEPARTMENT OF LABOR

Mr. HALLMARK. Thank you, Mr. Chairman, and Congresswoman Brown.

First I'd like to thank the committee.

Mr. EVERETT. Excuse me, sir. If you would pull that mic just a little closer to you.

Mr. HALLMARK. I'm sorry.

Mr. EVERETT. They used to say we have to eat these mics.

Mr. HALLMARK. All right. I'd like to first thank the committee for inviting me to testify this morning and for addressing itself to this issue. Managing the FECA program is a complex undertaking that requires a very coordinated interactive effort on the part of all of the individuals who are involved: the injured worker; the employing agency, in this case VA; medical providers; and OWCP, the entity that manages the program for the Department of Labor.

It is an interesting and challenging task, and, as I say, I thank the committee for addressing itself to this issue.

For several years, OWCP has been pursuing a strategic plan that calls for improved program results measured in terms of faster re-

turn to work, improved customer satisfaction and reduced cost to the federal agencies.

Like most GPRA goals, these outcomes are challenging and can be accomplished not just through OWCP or Department of Labor's efforts, but through a combined effort, especially in coordination with the federal agencies and with the employee representative unions who are interested as well.

We are making measurable progress with regard to our goals. And my written testimony addresses a number of the initiatives and the savings that we are accomplishing now and will be in the future.

I would just like to point to a couple of areas now this morning. Some of the areas of this program are primarily under Department of Labor's aegis. And as Congresswoman Brown indicated, we believe we are the best positioned to lead in these areas, such as in reviewing older cases for continuing eligibility and for the appropriate application of rehabilitation services.

And we are working on those. We have, for the first time this year, a fully staffed periodic roll management program which we began several years ago, but which has never received full staffing.

It does now, in 1999, and we expect to save hundreds of millions of dollars in avoided benefit costs as a result of this very successful program. We have also instituted a number of medical cost containment initiatives which will redound to the benefit of all of the programs in all of the agencies in the Government.

But the measure we feel is the most indicative of success in this program is a measure of lost production days for new cases as they occur. This is, as Congresswoman Brown indicated, where we believe that the agencies can best address their resources to properly processing cases and saving money in the long term.

We have made some progress on that. We have achieved a 6 percent reduction of lost days with respect to new cases over the last couple of years, but that is not nearly enough. To really accomplish this goal in an effective way, we need to work very closely with the federal agencies, and we cannot accomplish it alone.

Here are some of the things that we are asking the agencies like VA to do in the future to accomplish this very important public policy goal. First and foremost, to speed up the submission of claim forms.

It is critical that we get the information about an injury having occurred and about the status of the individual's pay loss as quickly as possible so that we can pay benefits that are due, initiate any interventions that are necessary, and work with the agency to get that person back to work.

Claims that linger, claims that are delayed, claims where problems occur early are the ones that become the old cases and that become the high cost cases eventually. We need to get off on the right foot on these cases.

All of the federal agencies, right now, need to improve their performance in this area, and VA is among that group. OWCP has said that we will initiate early intervention—very early intervention—with our nurses, who have been very successful in getting people back to work, if agencies will get up to 75 percent timely with respect to their initial submissions.

So far, only one agency has been able to do that. We look for all of them to do so.

Second, we think that agencies should focus on light duty or other available return to work activities, and the VA is doing that.

Third, we want to communicate better with our injured workers, and we want the agencies to provide that information to their employees. We provided an Internet agency query system that gives much more information about that.

The VA is working with us. We know that they are interested in these issues. We have had more intense interaction over the past year, and we expect that to be accelerated in the future. Since they are one of our big customers, we must do that if we are going to succeed.

Several VA hospitals are already performing very effectively against the timeliness goals and against the loss production day goal that I just mentioned. That indicates that the other hospitals can do as well, and the VA can, in fact, make major progress.

We thank you very much for the opportunity to speak here this morning. I would be glad to answer your questions and, I appreciate the opportunity to engage in this discussion about how we can do this better.

[The prepared statement of Mr. Hallmark appears on p. 33.]

Mr. EVERETT. Thank you, Mr. Hallmark.

Mr. Griffin.

STATEMENT OF HON. RICHARD GRIFFIN, INSPECTOR GENERAL, VETERANS' AFFAIRS

Mr. GRIFFIN. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I am pleased to be here today to comment on opportunities for improving management of the Department of Veterans Affairs' Federal Employees Compensation Act Program, also known as the Workers' Compensation Program.

While VA management has made improvements in the administration of the workers' compensation program, recent OIG audits and investigations have found that the department is still significantly at risk for program fraud, abuse and unnecessary costs.

In our view, enhanced management and oversight of this program is essential as the Department is a significant federal employer and annually incurs substantial costs associated with claims resulting from injuries sustained in the performance of duty.

The Department's fiscal year 1998 payment for workers' compensation costs totaled about $140.8 million dollars. These costs are based upon actual payments made by the Department of Labor in charge back year 1996, for the period July 1, 1995 to June 30, 1996.

In order to address the Department's risk in the workers' compensation program area, we have applied a three step approach: the comprehensive national audit, a joint OIG and Veterans' Health Administration investigative and fraud detection effort, and a development of a protocol package and handbook for use by VA managers for enhanced program oversight and fraud detection.

Our efforts have shown that there are opportunities for the Department to reduce program fraud and abuse with more effective review and oversight of workers' compensation claims.

Our 1998 audit found that improvements have been made by VA in returning injured workers back to work, and that overall program costs have been reduced for the past 3 years by a total of 6 percent . However, we found a lack of effective case management at some VA facilities.

This places the Department at risk for program abuse, fraud and unnecessary costs. Our sample of active cases found that better case management could be achieved in 20 percent of the cases reviewed.

Based on the sample results, we estimate that $17.8 million in compensation costs could have been potentially avoided by VA in charge back year 1996 by returning employees back to work or removing employees from the workers' compensation rolls.

We also estimate a future cost avoidance of about $247 million dollars in reduced compensation costs for projected lifetime benefits for claimants over the next 18 years. Our review also identified 26 potential fraud cases, which were referred to our Office of Investigations.

Based on the sample results, we estimate that, in 1996, there were over 500 fraudulent cases totalling about $9 million dollars. Our audit identified a number of best practices that some VHA facilities have established to reduce costs by returning injured workers back to work or otherwise removing them from the rolls.

Key best practices we identified at some facilities included providing consistent resources to the program, maintaining and reviewing open workers' compensation cases to identify and prioritize actions necessary to reduce cost, ensuring that current medical evidence was continually received so that employees could be returned to duty as soon as possible, establishing confidential hotlines for reporting workers' compensation abuse or fraud, reviewing and identifying injured workers on the workers' compensation rolls that are not current or former VA employees, developing local policies and practices that emphasize safety and training programs, offering light duty to employees, collecting and using continuation of pay cost information as a management tool, and providing all VHA facilities with access to the workers' compensation management information system.

The OIG continues to work with the Department to reduce workers' compensation abuse and fraud. An OIG effort is now underway to provide VHA with assistance in establishing veterans integrated service network level case management review and oversight methodologies that can be used to identify potential fraud and reduce costs.

We believe that this effort will provide the Department with a good starting point for completing the Department-wide review of open workers' compensation cases. This effort will provide the Department with a fraud targeting methodology and case review protocol package that can enhance case management efforts and identify opportunities to return employees back to work or otherwise remove them from the workers' ccmpensation rolls.

Mr. Chairman, this concludes my oral testimony. I would be pleased to answer any questions after we have completed the opening remarks.

[The prepared statement of Mr. Griffin appears on p. 40.]

Mr. EVERETT. Thank you very much, Mr. Griffin.

Mr. Cowles.

STATEMENT OF RONALD E. COWLES, DEPUTY ASSISTANT SECRETARY OF HUMAN RESOURCES MANAGEMENT

Mr. COWLES. Good morning.

Mr. Chairman and members of the subcommittee——

Mr. COWLES. Cowles.

Mr. COWLES. Cowles, absolutely.

Mr. EVERETT. Oh, okay, I'm sorry. Please proceed.

Mr. COWLES. I am pleased to appear here. I am going to summarize from our full statement, which you have indicated will be introduced in the record. I would like to introduce, to my immediate left, Dr. Frances Murphy, VHA's Chief Consultant for Occupational and Environmental Health.

And then to her left, John Hancock, Director of VA's Office of Occupational Safety and Health.

I wish to begin my testimony this morning by expressing the Department's commitment to reducing workers' compensation costs and promoting the health and wellness of the employees.

We believe that the establishment of appropriate work place safety and injury prevention programs, employee safety education programs and quality employee health services, and the management of employee injuries and claims are all important components of the spectrum of workers' compensation and occupational health and safety programs which VA provides.

It has actually been over the last 5 years that VA has, in fact, a more focused and strategic approach to addressing each of these areas that I have mentioned. In fact, in charge back year 1995, we saw charge back costs drop for the first time in the history of VA's workers' compensation program.

There have been a number of innovative ideas that have been provided to people that work in this area throughout our health care and benefits delivery systems.

We have a wonderful workers' compensation management information system which has been developed in cooperation with the Department of Labor, which provides current information to workers' compensation case managers, provides statistical analyses of injuries and illness trends, and provides a communication link between those case managers and VA headquarters professionals.

We developed a training program to address the concerns about assuring that our case managers have the latest information and tools available to manage claims aggressively while remaining within the scope of workers' compensation laws and regs.

The VA's designated safety agency and health officials has issued an information letter on best practices so that our workers' compensation professionals and health care practitioners in our field can learn from what the best in business have benefitted in the management of this important area.

With respect to timeliness of claims, we have a great way to go to improve where we want to be. We would love to be at that 75 percent rate. We are very excited about an initiative that we have undertaken with DOL to have an electronic transfer of injury and illness claims that will go directly into DOL's database.

We believe this will do a great deal in improving our timeliness of initial claim filing.

Veterans' Health Administration, in a leadership role, has established the Occupational Environmental Health Strategic Group, and they have implemented a rather unique accident and injury tracking system.

They have established manager performance measures in occupational health and safety, and have done a lot to promote, educate, and do research in areas that are related to occupational health and safety.

An Automated Safety Incident Surveillance and Tracking System, called ASIST, has helped us computerize our accident report reporting and will also give us a leg up on understanding where and how and under what circumstances our employees are being injured on the job.

In 1997, VHA established occupational safety and health performance measures for their top managers. As a result, VA's lost time case rate per 100 employees has steadily fallen each year. In 1997, in fact, the lost time claims rate fell below the overall health care industry LTCR 3.7.

VA has begun implementing the IG audit recommendations. We were anxious to benefit from their expertise as auditors, and, in fact, had invited them to review the program. And we are implementing a number of the recommendations that came as a result of that study and were mentioned by Mr. Griffin.

In conclusion, Mr. Chairman, although we have made considerable progress in enhancing employee safety and health programs and improving the management of workers' compensation cases, we recognize that the VA can and should do more.

Ideally, the foremost way to reduce workers' compensation costs is to prevent injuries and illnesses. In that regard, we are working to enhance our hazard identification and mishap prevention efforts.

We look forward to working with the parties here and with your committee in addressing this very important area and, in fact, becoming leaders in the Government-wide program.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Cowles appears on p. 47.]

Mr. EVERETT. Thank you very much. As usual, both our staffs have prepared many more questions than we are going to be able to ask you in 5 minutes, so we will submit some questions for the record and ask you to respond in 15 days.

Let me begin with you, Mr. Griffin. Did the IG's office look at private sector models for best practices to contain workers' compensation costs?

Mr. GRIFFIN. Not as part of this recent effort, no, Mr. Chairman.

Mr. EVERETT. The projected savings to the workers' compensation program, $17.8 million this year and $247 million lifetime savings, are quite considerable. How did you arrive at these figures?

Mr. GRIFFIN. Well, the $17.8 million was a figure that was derived from a statistical sample that was part of our audit process.

And in the Inspector General community, when attributing a dollar value to savings, a person who is, for example, 60 years old who is on workers' compensation and who is removed from the rolls who, for the sake of discussion, was making $20,000 a year, the savings for that individual would be projected until age 70.

So that if it is $20,000 a year and they are 60 years old, that would reflect a $200,000 lifetime savings for the program; 70 is a fairly conservative age for life expectancy, but that is the accepted standard in the community and that is the number that we use.

Mr. EVERETT. In other words, the savings could actually be greater?

Mr. GRIFFIN. That is correct.

Mr. EVERETT. Mr. Hallmark, which VA hospitals have a 75 percent timely filing rate?

Mr. HALLMARK. I do not have that data immediately with me. We post the actual timeliness rates for each hospital on our Internet Web site hopefully as spur for a little competition. The hospitals I was speaking of that are doing well are in the, I believe, 50 to 60 range.

I do not know whether there are any at the 75 percent range, but it is over a wide—there is a wide variance.

Mr. EVERETT. Which federal agencies also have a 75 percent timely——

Mr. HALLMARK. Only one, TVA, Tennessee Valley Authority. They are a very small organization. They do not have anywhere near the size of a management problem that most of the agencies like VA do.

Mr. EVERETT. VA is developing procedures for a one time review of its open cases. The Labor Department is also reviewing cases 5 years or older. The VA and DOL, are you duplicating work? And are you talking past each other on this, or are you trying to use a common data bank that you can——

Mr. HALLMARK. Well, right, I understand the question.

As I said in my remarks, it is important and, in fact, imperative—that we not duplicate work and that we not trip over each other in this regard. We understand and agree with the IG's recommendation that the agency review and understand the status of all its cases.

The problem is our resources are limited. We have, as I said, a periodic roll management team that addresses itself directly to these older cases. It has a very carefully trained staff which addresses them in a sensitive and well-established way.

We have been doing this since 1992. While we think that agencies should know about these cases and should have an understanding as to how they could react to them, for example, if they have a specific light duty or other kind of job that they could offer for an individual, they need to be able to react when our team brings that case to them.

Or, if they have information that an IG or someone else has uncovered with respect to a possible fraud situation, surely they should make it known to us. But we need to initiate the process of looking at that individual's medical condition to determine

whether continuing eligibility is there, whether there is an avenue of rehabilitation that can be proceeded with.

An agency coming to us with a long list of here are claims that are old can become counterproductive, because we then have to stop what we are doing to look at their request.

So it needs to be a well coordinated effort, and we are working to accomplish that.

Mr. EVERETT. Thank you very much.

Mr. Cowles, would you tell me which VA hospitals have a 75 percent timely filing rate?

Mr. COWLES. Bay Pines has a 90 percent filing rate, so I think this may be the best hospital that we have. I do not have information on the other one. This one came to mind because it has such a spectacular record, but we will furnish that information——

Mr. EVERETT. Thank you very much.

Mr. COWLES (continuing). For the record, Mr. Chairman.

Mr. EVERETT. What private sector models has VA investigated for examples of best practices?

Mr. COWLES. Mr. Hancock.

Mr. HANCOCK. Well, we have not actually approached the private sector quite so aggressively because there is such a difference in the way we handle claims. Certainly the management practices are significantly parallel, but we do have some differences in the way that the workers' compensation program elements are structured for the Federal Government.

But we will more aggressively look into the private sector.

Mr. COWLES. Mr. Chairman, I would like to make here a pitch and bring to the Chairman's attention what is and will be the 1st Annual Federal Workers' Compensation Conference and Exposition that will be held this fall.

The VA is actually sponsoring this, and we are inviting other federal agencies. Department of Labor will be helping us. We are going to have 54 workshops there where we are going to, in fact, be sharing best practices; best practices mostly focused on Federal Government efforts.

We believe that this will, in fact, be an event which not only VA, but the entire Federal Government, will come away from and be able to provide an implement those best practices that are leading agencies to dramatically reduce their costs.

Mr. EVERETT. I think my time is out. Let me just comment that Murfreesboro, Tennessee has a 100 percent timely filing record.

Mr. COWLES. Excellent. Then I am sorry, Bay Pines; you are number two. (Laughter.)

Mr. EVERETT. And I now will recognize the ranking member of our committee, Ms. Brown.

Ms. BROWN. Thank you, Mr. Chairman.

My first question will go to Mr. Hallmark. On the question about the timely filing of the complaints, how does that affect the employees' rehabilitation and employers' costs, the fact that they have filed them late?

Mr. HALLMARK. Well, we find, in all the studies about this kind of disability case that have been done that I know of in the private sector and elsewhere, that the sooner the individual is contacted, the sooner we can start and the agency can start working on find-

ing out whether that individual can be accommodated with a light duty or other kind of accommodated job, the better the result is going to be.

If individuals are left hanging out, if the employer has forgotten about them, if we do not know the case exists so that we can't assign a nurse to it, then the individual becomes inured to being at home, they lose the contact with the work place, and they become, in effect, identified with their injury and their disability, as opposed to identifying themselves as a worker.

And then it becomes very difficult to overcome that self concept and to get the person back into the mode of going to work everyday. So the critical time that we have been advised through various studies is within the first several months, certainly within the first 6 months, to get that case moving in the right direction.

OWCP oftentimes is not aware of cases for several weeks. We do not even have a case started. There is a process within the Federal Employees' Compensation Act called continuation of pay where the federal agency, in this case VA, continues to pay the individual's salary even though they are not at work.

After 45 days of that, then wage loss replacement comes from OWCP. There can also be a delay in that process starting if the agency does not inform us that continuation of pay is over and we need to start making payments.

So that can be a delay. If the individual is not being responsibly treated, the individual becomes unhappy and the situation becomes conflicted. This is obvious if you are in a situation where you were receiving your salary and then, all of a sudden, you are without any kind of income for several weeks because OWCP has not issued its first payment.

That does not put a person in the humor of coming back to work. It puts a person into a contentious kind of posture and ends up making cases become more difficult than they should be.

Ms. BROWN. Thank you.

Mr. Cowles, is that correct?

Mr. COWLES. Cowles, yes.

Ms. BROWN. Okay, would you just walk me through the normal process of how long it takes for an initial workers' compensation claim, starting from day one when the claim is received by a first line supervisor at a local VA facility and ending up with the claims being sent to the Department of Labor?

I know you mentioned that you were going to do an electronic transfer. How will that streamline the process?

Mr. COWLES. Right now, the filing of a claim—it is Claim Form CA 1 and 2, the initial filing by the employee—is a paper filing. It does require the employee to indicate that they have been injured and requires the VA to acknowledge that for the supervisor and physician statement to be attached.

The timeliness that we are talking about is 14 days to get those claim forms to the Department of Labor. So when you talked about 100 percent timeliness rate, that means that employees file claims and those forms are filled out and submitted to the Department of Labor in 14 days.

I think as we look at our own experience, we do not meet that standard as well as we would like. We would love to be at that 75

percent rate. About 60 percent of our cases are submitted within the first 30 days. Even there, there is a lot of room for improvement.

The electronic transmission for us will be an opportunity for people to use technology to much more efficiently fill out the information necessary and submit it and avoid the problems that one finds in moving paper from one location to another or even in sending it to the Department of Labor.

It clearly is going to speed up that processing time.

Mr. HALLMARK. If I may add, our statistics show that about 20 percent of the VA claims come in in the second week, the week after the timeliness period is over. So the electronic process should move at least 15 percent from the untimely to the timely column.

Ms. BROWN. Mr. Griffin, in your office's audit of the VA workers' compensation program management, what, if any, assessment did you make of the VA's failure to file employee claims timely? I do not think you mention it in your report.

Mr. GRIFFIN. No, I did not mention it. It was not in our report. In the overall scheme of things, that did not strike us as being a major issue when you looked at the other issues that were on the table, and one being that, as you have already mentioned, cases that are more than 5 years old in the VA account for roughly 75 percent of the dollars spent for this program.

So we felt like when you are prioritizing your cases and deciding which ones should we look at first, and basically this collaborative effort that we have had with VHA and, in particular, in VISN 2 and 22, we wanted to establish which cases have the greatest impact, which ones should we look at first, and which protocols can we establish which we can apply on a national basis to all of the facilities.

But the timeliness was not something that we focused on.

Ms. BROWN. Mr. Griffin, your report was focusing not on prevention and timely assistance, as you just said, but on abuse, fraud, and unnecessary costs spent on long-term cases. I am interested in safety and training programs.

Did your audit find out anything about how those programs would improve the efficiency of VA?

Mr. GRIFFIN. Well, we identified safety and training in our list of best practices that occurs at some facilities and that would be in the best interest of the Department if it occurred at all facilities.

The waste and fraud issues sometimes stick in your mind because some of them are so outrageous that you cannot shake them. But I think a careful reading of all of the best practices that we listed in our report will show that safety and training are included.

Some of the things that Mr. Hallmark has spoken to, such as light duty, and not letting that person just drift away, never to be heard from again, to lose their self esteem, to think that I cannot do it, I have no value added, etc., are all important issues.

And I think that we covered the full range of issues in our full report.

Ms. BROWN. Of the cases filed by VA, what percentage do you think represent fraud and abuse?

Mr. GRIFFIN. Well, based on our current look, we felt like approximately 3.6 percent of the total. I believe Mr. Hallmark's state-

ment reflects that the national number is 3 percent. So 3.6 is fairly close to the Government-wide number; but 3.6 percent, when you have got a quarter of a million employees, is a pretty substantial number of fraud cases.

We estimated 500 cases in charge back year 1996 were probably fraudulent.

Ms. BROWN. Mr. Cowles, would you like to respond to that?

Mr. COWLES. I would, and respond to your initial concern on the prevention issues on the front end.

We have spent a good deal of our time developing, both at the national and also network level, training programs to address those areas where workers are more prone to injury. And we can provide for the record some of those programs that have been developed over the last 4 or 5 years.

We have actually seen our injury rates come down for the last few years, and that is exciting because that means fewer claims are being filed and those training programs are, in fact, working.

We recognize that there will be some employees that take advantage of the system. We would agree that 500 cases is a large number. And yet, our focus is and our belief is, is that the vast majority of employees, the 220,000 or 230,000 employees that are not in that number not only respect what their rights and privileges are under this, but work with us very cooperatively when injured to seek medical attention, to get their claims filed, to come back to work and accept light duty assignments.

That is an enormous plus for employees to know they can come back even before they have fully recovered if we can provide them employment in a light duty assignment. It improves morale, it helps us reduce our costs, and that has been a real plus with our program.

Ms. BROWN. I personally want to commend you for putting together this conference that is coming up August the 29th through September the 1st in Orlando. You all are taking the lead on this and inviting other agencies.

Do you want to expand on that for a little bit?

Mr. COWLES. Absolutely. It was clear to us that we would benefit from others' experience, and that not only are we interested in being a leader in our own agency, but we felt that, if we could do something here, it would bring the whole federal community together and bring Department of Labor here to help us understand how we could work better with them to assure that the goals and objectives of the workers' compensation program were met.

We are very excited about this. We may not be the best in timeliness claim processing, but we are the leader in this effort, and that is why it is called the 1st Annual Federal Workers' Compensation Conference.

Ms. BROWN. I am happy to note that it is in my district in Orlando.

Mr. COWLES. And we would like to invite all the members of the subcommittee and their staff. We are thrilled to be in that location and are looking forward to it very much.

Ms. BROWN. Thank you, Mr. Chairman, for the extra 5 minutes.

Mr. HALLMARK. Congresswoman, I wonder if I could add just a quick note. We are participating, as you indicated, in the con-

ference that VA is planning and look forward to expanding a lot of agencies' ability to address these issues.

But just to speak very quickly to the issue of fraud, while we would not—I do not want to get into a debate with my colleague from the IG. Three percent is a number we have seen used with respect to the long term disability cases.

My reading of the IG's report is that they are projecting their sample to the entire universe of cases, which includes mostly no lost time medical only cases. This may be somewhat of an overstatement. If we had to quibble with a number in the report, the 500 cases might be one we would quibble with.

But, in any case, our concentration on the timeliness and the handling of early cases is not, I think, just an eleemosynary activity. We think that the long term costs, the future liability of these cases, is affected by addressing them in the front end. Even though the 80 percent is now going out to cases that are on the rolls, and we should look at those cases, if we do the new cases right, we will avoid these costs building up in the future, and we think that is very important.

Dr. MURPHY. If I could just add to that. I think they are both right. We need to look at the full spectrum of cases. And one of the reasons that VHA started the accident and injury tracking system was that we wanted to get in at the time the accident occurred.

When the employee is injured, they go to the supervisor or employee health, a record is established, and the whole team starts managing that injury from the day it occurred. We think that is very important.

So we agree with the Department of Labor, but we also think that we need to address the long term cases.

Ms. BROWN. Just one final comment from the IG's office. After listening here this morning, I felt better about this issue. I understand the role of the IG, but do you not see that the VA has made some progress toward improving in this area?

Mr. GRIFFIN. I think we recognize in our statement, that they have improved for the last 3 years. I will say though that I stand behind our 3.6 percent number and, if there was time, we could demonstrate how we arrived at that percentage.

No question, this is not an adversarial thing here. We are talking about tax dollars that can be better used to treat veterans than to be used by the small percentage of people who are attempting to rip off the system.

This is a partnership. We want to get these people back to work. In VISN 22 where we had the collaborative effort, we are talking about $12.3 million dollars a year that is going to the OWCP program—and this is a very important program.

I am glad it is there. I might need it someday. But, the money that could be saved by returning people to work can then be applied to health care for veterans, and that is what this is all about, and that is why this is a collaborative effort.

Ms. BROWN. I agree with you as far as anybody that is trying to misuse the system, but I do want to say that for the vast majority of the people working for us, this is a benefit. If they need it, we want to make sure that it is in place. We do not harass them.

Mr. GRIFFIN. I agree 100 percent.

Ms. BROWN. Thank you, Mr. Chairman.

Mr. EVERETT. It is just not the money. There is a human cost here, too, that you all have expressed that you understand. And, of course, we are interested in that, too. As a matter of fact, the inertia of disability that you have mentioned, Mr. Hallmark, in your report leads me to ask this question:

Our subcommittee is hearing complaints that supervisors and managers are deliberately not filing workmans' compensation claims paperwork on time so they can sit on the cases they do not like. How does the Department of Labor view a deliberate refusal to forward claims paperwork to your Department?

Is this an acceptable way to manage claims? Is it illegal for an agency to do that?

Mr. HALLMARK. Well, no; obviously it is not an acceptable approach to management of anything, and it is illegal, under the FECA—it is a criminal offense to fail to timely submit these forms.

It is a misdemeanor, and I do not believe it has ever been prosecuted; but it is, in fact, inappropriate. And when we have information about this sort of thing, we take that to the higher levels of an organization and try to make sure that it stops immediately.

Mr. EVERETT. Mr. Griffin, did you find any evidence that people may have been sitting on claims that they did not like, or did you look at that?

Mr. GRIFFIN. We did not find any——

Mr. EVERETT. Did you look for——

Mr. GRIFFIN (continuing). Indication of that. It was not something that we set out to explore at the beginning of the audit, but I believe that, with the number of people that our auditors have talked to, that we would have come upon it even though it was not on our list of things to seek out.

Mr. EVERETT. But the subcommittee has been getting complaints about it.

Mr. Cowles, what is the VA doing?

Mr. COWLES. If we were to find evidence of that, it not only would be, illegal, as it has been characterized by Department of Labor, but a dereliction of duty, and certainly something which a supervisor could be disciplined, in addition to whatever other penalties might be available.

Mr. EVERETT. I appreciate that, but——

Mr. COWLES. So we would——

Mr. EVERETT (continuing). I have seen a long history of the VA not——

Mr. COWLES. We would be very interested in——

Mr. EVERETT (continuing). Disciplining supervisors.

Mr. COWLES (continuing). If the subcommittee is getting that information, we would like to get it too. More common, employees will complain or union representatives will ask where in the "blazes" is that claim form. The supervisors had it for a week or two and it has not come out.

And what we usually do is then go to the supervisor and find out why that claim has not been filled out and assure that, if that supervisor needs some assistance or needs information that they do not have, that they get it.

But it would be a very, very serious matter of misconduct if a supervisor is just sitting cn it because of some personal animosity or some unwillingness to admit that he has or she has injured employees.

Mr. EVERETT. Mr. Cowles, when will the VA be able to measure savings in the workers' compensation program and then report those savings to the subcommittee?

Mr. COWLES. We have mentioned some of the savings in our opening statement as far as the reduction of charge back costs to the agency. We can provide additional information. This information we have provided also, prior to the hearing to the subcommittee staff, contained some graphical depictions of the reductions in cost over the last 5 years.

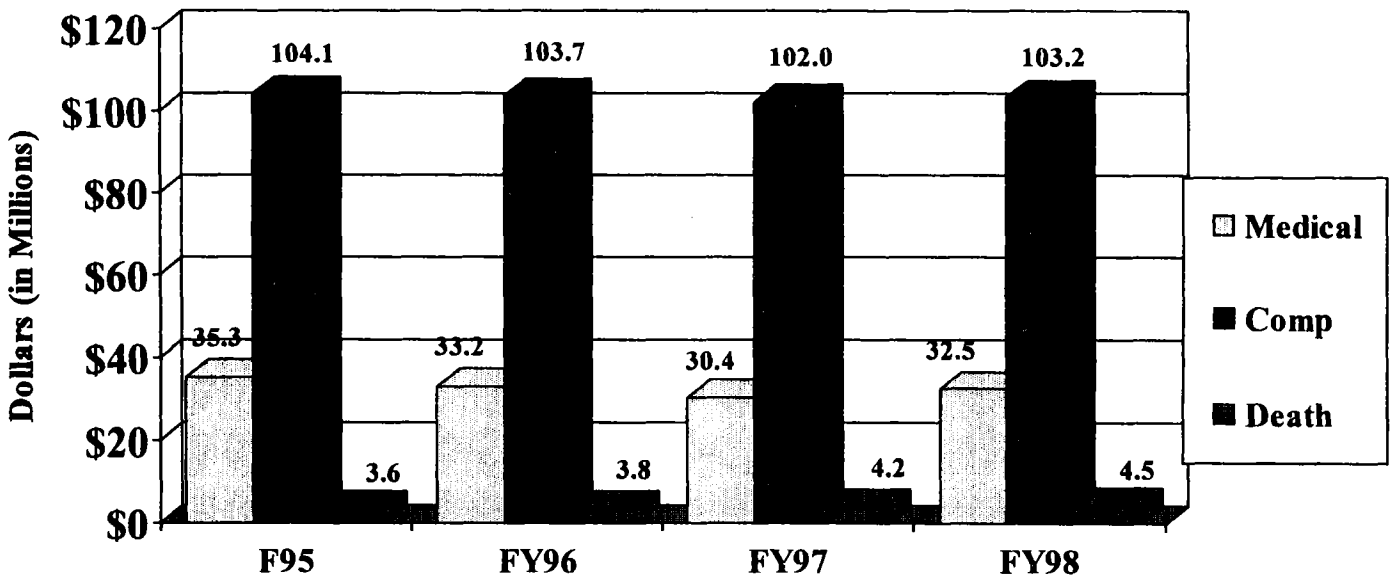
Mr. EVERETT. We must recognize that the record for filing the claims on time in the VA is not good at all. Is improvement part of your Results Act performance planning?

Mr. COWLES. Whether there is a measure in the GPRA goals and objectives, I am not sure. I would be more than happy to check on that. I know, as we are tracking it, there has been some recent incremental improvement in our timeliness. It has gone up by about 2 or 3 percent.

We clearly are looking to want to implement that electronic filing system as soon as we can. And the training that we are——

(See graph on next page.)

VA Workers' Compensation Cost Summary



Mr. EVERETT. When do you think that might be?

Mr. HANCOCK. We anticipate it before the end of the fiscal year, sir.

Mr. EVERETT. Okay.

Mr. HANCOCK. We have some technical issues we are working on to make it——

Mr. HALLMARK. If I could add, the timeliness of agencies' submission of these claims is in Department of Labor's GPRA measures. We are holding ourselves responsible for this in the spirit of GPRA, which says you should go beyond your own borders.

So that is one of the reasons why we are doing as much preaching on this score as we have been, because we think it is very critical.

Mr. EVERETT. Well, like our ranking member, I am very pleased what I am hearing here today because it is obvious that we do recognize that there is a money situation here that could be better spent for veterans' health care.

But also, as importantly, there is a human price being paid. So I want to thank this panel for appearing here today, and I will now call the next panel.

I would now like to welcome and recognize Fred Malphurs, Director of Veterans Integrated Service Network 2 in Albany, NY; and Smith Jenkins, Director of Veterans Integrated Service Network 22 in Long Beach, California.

Gentlemen, I would ask you to hold each of your statements to 5 minutes, and we will—your complete statements will be submitted for the record.

And Mr. Jenkins, if you will, please begin.

STATEMENT OF SMITH JENKINS, JR., DIRECTOR, VA DESERT PACIFIC HEALTHCARE NETWORK (VETERANS INTEGRATED SERVICE NETWORK 22)

Mr. JENKINS. Thank you, Mr. Chairman, members of the subcommittee.

I appreciate the opportunity to appear before you today to discuss the efforts of the Veterans Health Administration's Veterans Integrated Service Network 22 to provide management of the workmans' compensation program and reduce unnecessary cost.

Until approximately 6 years ago, VA headquarters paid all of the Office of Workmans' Compensation Program costs for the Department of Veterans Affairs.

In an effort to better control and possibly reduce the continually escalating costs associated with the program, headquarters decentralized the funds and responsibility for OWCP programs to each of the separate administrations within the Department, and ultimately to the various field facilities.

Cumulatively, the facilities in the VA Desert Pacific Healthcare Network, which is VISN 22, we have had the highest OWCP cost in the country. In charge back year 1995, our cumulative cost was approximately $13.4 million dollars.

It was apparent that we needed to take some action to reduce these costs. And over the last 2 to 3 years, we are estimating our costs is going to go down to approximately $11.4 million dollars in fiscal year 1999, which is a reduction of about $2 million dollars,

or about 14 percent reduced cost since we have actually been working on this with some significant resources and folks focusing on trying to reduce these costs.

Two of our facilities in the Network 22 have hired registered nurses, who oversee this program and are OWCP coordinators. In the other facilities we have, the people in our human resource services have overseen the programs and are working on them.

Some of the specific problems we found when we got into checking to see what was causing these high costs that we had, we found that when employees were remaining off duty for significant periods of time without any action being taken or people getting involved into why they were off duty, our physicians, both VA and non-VA, did not understand that we could accommodate people on light duty and wish physical limitations.

Also, our facilities and services in some of our medical centers were not willing to provide light duty type jobs that we needed to bring people back into work.

We also were frequently finding that some of our pre-employment physicals, when we were hiring people into work, were not complete enough and we were not finding out some preexisting medical problems when they came on work for us.

Several actions were taken to identify these problems. It was sensitive because the employees with work-related injuries who legitimately needed to avail themselves of this program. So even though we had some concerns over it, we wanted to make sure the program was available to people who needed it.

There was, at no time anyone, trying to keep people from filing claims, getting the benefits they were due. So we were very cognizant that people needed it, that the program needed to be there, and we wanted to provide the help.

Some of the things we have been doing to look at these costs and try to get them down was we started devoting more staff time, providing more people to oversee the claims. We had an aggressive OWCP case management from initial injury to final resolution.

There is no question, we think, that up front involvement is the key to reducing these costs. You have got to get involved at the initial injury. You have got to find out what is going on. You have got to make sure the claim gets processed on time and see it through the final completion.

If you do that, that is where the significant savings are, and also providing, I think, the employee with the proper kind of medical care they need, too.

We also implemented a variety of light duty positions to accommodate a wide range of injuries. We established communications with our physicians to facilitate the expeditious, yet appropriate, return of employees to work.

In off duty hours, we went in to make sure our physicians put people on light duty, got them back to work as soon as possible as opposed to just sending them home with no time to come back. We also are establishing a dedicated VA position between Network 21, which is located in the San Francisco area, and Network 22 to serve as a full time liaison with the Department of Labor to more expeditiously process review and adjudicate our claims.

During the past year, Network 22 has worked closely with the Office of Inspector General with reviewing various aspects of the workmans' compensation program. The primary focus was to identify best practices to develop an OWCP handbook to improve our case management, and in turn reduce compensation costs.

We are making every effort to provide a safe and healthy work environment and offer programs on accident prevention, but occasionally accidents happen and our staff will continue to manage each case individually, establish light duty positions for employees where possible.

This concludes my statement, Mr. Chairman. I will be glad to respond to questions.

[The prepared statement of Mr. Jenkins appears on p. 55.]

Mr. EVERETT. Thank you very much.

Before we proceed, let me recognize Mr. Peterson. He is a new member of our subcommittee and a welcome member of our subcommittee, and he will make a great contribution.

Please proceed.

STATEMENT OF FREDERICK L. MALPHURS, DIRECTOR, VETERANS INTEGRATED SERVICE NETWORK, ALBANY, NY

Mr. MALPHURS. Thank you, Mr. Chairman and members of the committee.

I, too, appreciate the opportunity to appear before you to discuss the Veterans' Health Administration Network 2's efforts to reduce employee on the job injuries and to more responsibly manage our part of the program that provides benefits to employees who are injured on the job.

Network 2 had the highest lost time incident rate of any network in the country, 5.7 percent, during the first half of fiscal year 1998. In an effort to reduce and manage the network incident rate, we established a network OWCP project manager and task group to research the problems that we were encountering and to work directly with the Department of Labor to resolve them.

Through these efforts, we found errors in accounting that had a total of 67 cases reported as lost time cases that were actually no lost time. Through these corrections and other efforts, we reduced our lost time rates to 3.96 by the end of fiscal year 1998.

Among the other steps taken within Network 2 to better manage this program are to establish a policy that supervisors accompany injured employees to the employee health unit/emergency room in all cases to determine duty status; issue an employees' procedural memorandum to require the immediate reporting of the injury/illness to supervisors.

We established a policy that requires the supervisor to immediately initiate an incident investigation and to complete form processing within 48 hours. We reestablished the weekly case reviews within each facility consisting of representation from employee health, safety, the supervisor and the union.

Special emphasis targeting frequent multiple and questionable claims was made part of that. Minutes are provided to the Network OWCP manager so that she can monitor progress. We developed a Network 2 criminal investigator position with the full support of

the New York Office of the VA Inspector General with a special agent assigned.

An OIG audit requested by Network 2 that was conducted during fiscal year 1998 by Network 2, the Department of Labor in New York City, and their office in Jacksonville, found additional cases that were removed from the charge back report, identified potential fraud cases, and identified other potential program cost reductions.

For Network 2, these IG efforts alone resulted in savings of over $200,000. In August, 1998, our Network OWCP manager started making weekly Department of Labor site visits to discuss such issues as discrepancies and lost times claims rate codes, status of open cases and adjudication time frames, requests for second opinion exams, requests for DOL to suspend compensation due to nonreceipt of report of wage information from claimants, and requests for loss of wage earning capacity to be determined.

VA and DOL need to continue striving for more efficient and effective management of OWCP cases. Timeliness on filing and adjudication claims must be met, as well as making suitable job offers, prompt termination of compensation benefits and a timely, periodic review of medical residuals.

Through these joint efforts and the steps we have take in Network 2, we hope to further improve the functioning of the program and achieve additional cost savings that can be used for medical care for veterans.

Mr. Chairman, this concludes my statement. I would also be pleased to respond to the committee's questions.

[The prepared statement of Mr. Malphurs appears on p. 58.]

Mr. EVERETT. Thank you very much. I want to thank both of you for appearing here today.

Let me ask you both, when will your claims begin to be filed electronically in your VISN?

Mr. Jenkins, we will start with you.

Mr. JENKINS. We have already started filing some of our claims electronically, and it is definitely improving our processing time. We did eliminate all the mail time back and forth to San Francisco, so it is going to be a great help to us and we are going to continue to until all facilities file electronically.

Mr. MALPHURS. I do not know the answer. I would be happy to provide it for the record though.

Mr. EVERETT. Certainly.

Let me ask you, did either of you investigate private sector models for examples of best practices to contain the workers' compensation costs?

Mr. JENKINS. No, sir; I have not.

Mr. MALPHURS. We looked at them. I think there is not a direct comparability, but we believe many of these management practices we have tried to accommodate within our reorganization where we have one person in the network that is, in essence, case managing this across Network 2.

She has extensive experience as a human resource specialist, and basically follows each and every case from the inception through, to, and including while it is at Department of Labor.

Mr. EVERETT. I want to personally thank both of you for your efforts to better manage and contain costs in the workers' compensa-

tion programs not only, as I said earlier, not only to save the money, but to reduce the human cost for your employees.

And I hope your successes will be recognized and duplicated across the entire VA. Your dedication to better management is to be commended, and I commend both of you.

Ms. Brown.

Ms. BROWN. Mr. Chairman, I would like to yield to Mr. Peterson.

Mr. EVERETT. Certainly.

Good to see you this morning.

Mr. PETERSON. Good morning, Mr. Chairman.

And I thank the ranking member.

I want to welcome both of you and thank you for your constructive testimony on how best to reduce workers' compensation program costs.

From the standpoint of the managers who actually must administer the programs in the field, is it really helpful to get a list of best practices from the central office?

Mr. MALPHURS. I think it is—being a very firm believer in the principles of continuous quality improvement, one of which is looking at best practices, I think it is part of their job. We have a Web site in the VA that helps to identify those, management and clinical, and there is increasing wealth of information that is available through other Web sites that we have linked and available through our own Internet Website within the network to all managers.

Mr. JENKINS. I would agree with Mr. Malphurs. I think one of our problems is failure to communicate best practices throughout the system. And the more we can do that, the faster we can improve the situation as opposed to somebody reinventing the wheel every time we try to do something different.

Mr. PETERSON. Do you have suggestions on how the VA could better or more effectively gather, assess and disseminate this information and what they are doing?

Mr. JENKINS. Well, I think we are doing it fairly effectively now through the Internet. We do have some Web pages up with lessons learned on them. They are available to all of our people throughout the system.

So we are putting these on. And we submit them into headquarters on a regular basis of all lessons learned and best practices, and they are posting them on the Internet. So they are available to our folks now.

Mr. PETERSON. And you think that is the best way to——

Mr. JENKINS. Right now I think it is the best way because there is very few of our people that do not have access to PCs and the Internet. It is better putting it on the internet because most of our employees do spend some time on a PC. This is better than a written document and passing it around and make sure everybody gets a copy.

We think the Internet is the best way to go. It is much faster and much more efficient than doing it through paper.

Mr. PETERSON. As you can tell from some of the discussions, this concern is about the VA's delays in filing employee notices of claims. What do you two think are the main reasons for such untimeliness, and how could those delays be eliminated or at least reduced?

Mr. JENKINS. I honestly do not know what the timeliness is on my particular facilities. I am going to find that when I get back. I also did not realize it was even an issue, to be honest with you. I do not know what is causing the problem or how significant a problem it is.

Mr. MALPHURS. I would simply echo that and add that part of the concern of our employees in initiating the paperwork arises out of the fact that we are a 24 hour a day, seven day a week operation.

So if an employee was injured around midnight on Friday night and simply had to go home, it might not be until Monday or Tuesday before the communication process caught up with what happened and the employee did the notification and got the supervisor involved and so on, simply because the supervisor was not there or out of touch.

So I think other than that special consideration, I do not believe that we should have any reporting exceptions. I think if you allow for them, then you get them for sure.

Mr. PETERSON. So neither one of you think that it is a big problem within your——

Mr. MALPHURS. I honestly do not know, but I think if it is a big problem in Network 2, we will get it corrected.

Mr. JENKINS. I would agree with Fred. I am not aware of it being a big problem either. If it is a problem, it has not surfaced or come up to my level.

Mr. PETERSON. What assurances can both of you give us that your heightened interest in cost savings will not jeopardize the rights of your employees to the workers' compensation benefits that they are entitled to, we do not go too far?

Mr. MALPHURS. We have an extensive working relationship with all of our unions. We have a network-wide Labor/Management Council and similar groups, in a couple of cases, called Partnerships at each of our facility.

We have had a continuous dialogue on this issue, sometimes heated. The employee advocates, I think, are very effective in pointing out to managers when we are being too harsh or inconsiderate or whatever it is.

And I would characterize that by one—as of this point in time, of being a successful collaboration. So I think those union officials, beyond other employees and management concerns for employees, are certainly, in Network 2, effective advocates to make sure that doesn't happen.

Mr. JENKINS. I would agree with Mr. Malphurs. We have very effective labor partnerships, too, at each one of our facilities. I think if we started having a problem, it would surface.

I can assure you, at least on my part, if I found out that was happening or thought it was happening, we would take whatever action was appropriate to make sure that it did not. I think this is a benefit available to our employees and we should make sure it is there and available to use it if the need arises.

In the business we are in, we are going to have some injuries and people need to have that program available to them when they are injured on the job. The only thing I can do is to assure you that

we would do what was necessary to make sure that people were not denied access to the program.

Mr. PETERSON. Thank you very much.

And thank you, Mr. Chairman, Ms. Brown.

Mr. EVERETT. Thank you.

I want to thank all of our witnesses for appearing today. I am encouraged to see the VA's initial steps to contain the cost of this program. The VA and the Department of Labor should continue to work together to improve the management and cost containment of the workers' compensation program.

The objective is to provide compensation to the right worker at the right time in the right amount. This subcommittee will continue to monitor the VA's progress in implementing the workers' compensation protocol developed by the Inspector General's office.

The subcommittee will also request that the VA report to it, at the first opportunity, the savings for veterans and taxpayers that are realized through the VA's more efficient management.

If you take the $17.8 million, which is said to be conservative, or a lifetime $250 million dollar savings, by following this program and improving this program, you add that to the $63 million dollars a year that this subcommittee has held hearings and will have future hearings on, and the DOE's projected savings within the VA by privatizing their energy sources, you know, gosh, it is kind of like what Everett Dirksen said, "A few million here and a few million there."

In 10 years, you are talking about a billion dollars that we can return to veterans healthcare and that can be better spent.

Well, I appreciate you being here today. This hearing is adjourned.

[Whereupon, at 10:40 a.m., the subcommittee was adjourned.]

APPENDIX

Statement of Honorable Lane Evans

Opening Statement
Subcommittee on Oversight & Investigations Hearing on VA's Workers' Compensation Program
March 25, 1999

Mr. Chairman, I want to thank you and Ms. Brown for holding this hearing on VA's workers' compensation program costs. I know that this program is an expensive one, and that all of us need to find ways of reducing unnecessary Federal payouts.

My concern in the area of workers' compensation, however, has always been that employee rights to proper payment for job-related injuries and illness be protected from over-aggressive managers who are too eager to cut costs and see indicators of fraud in every workers' compensation claims file.

This morning I hope we'll be presented with a balanced picture and constructive recommendations. I look forward to hearing the differing views of program management we have represented today.

CONGRESSWOMAN BROWN

Opening Statement
Subcommittee Hearing
VA's Workers' Compensation Program
March 25, 1999

Good morning Mr. Chairman. I want to thank you for calling this important hearing to review ways of reducing the cost of VA's workers' compensation program.

I request that my full statement be made part of the record. (*pause for Chairman*)

I also request that a statement from the American Federation of Government Employees, AFL-CIO be made part of the record. (*pause for Chairman*)

Since 1916, the Federal Employees Compensation Act – known as FECA (fee-

ka) – has been providing federal employees with workers' compensation coverage for injuries and diseases they sustain on their jobs.

Although not always appreciated until work-related injuries and illnesses strike, the right to workers' compensation benefits under FECA is one of the most important employment benefits federal employees have.

For federal employers, FECA is costly. In fiscal year 2000, VA estimates a need for more than $141 million to pay the workers' compensation claims of its health care employees – an estimated increase of nearly $4 million from FY 1999.

When the Inspector General's office recently reviewed VA's management of its workers' compensation program, they concluded that the Department was at risk for program abuse, fraud, and unnecessary cost.

The IG focused on the fact that nearly 80 percent of the VA's workers' compensation payments go to claimants who have been on the rolls for over 5 years.

The IG's report did not note that such a payment distribution was common within the Federal government, but instead recommended that VA concentrate most of its workers' compensation efforts on those long-term cases.

The IG said that VA needed to more effectively identify employees who could be

brought back to work or should be removed from the rolls.

Working with several VA health care regions that we'll hear from in our second panel, the IG's office has even developed a protocol and handbook to detect employee fraud through a series of fraud indicators.

Now, Mr. Chairman, the Department of Labor – the agency with responsibility for administering the workers' compensation program throughout the entire federal government -- says that VA would get a greater bang for its administrative buck if it concentrated its resources on the front end of a workers' compensation claim.

Labor believes that VA should place its emphasis on --

- Employee health and safety,
- timely claims processing, and
- early rehabilitation assistance.

Mr. Chairman, by having both the VA and Labor at the same table in Panel 1, this Subcommittee will benefit from a constructive debate of how best VA can reduce the high costs of its workers' compensation program.

It is critical to me, Mr. Chairman, that any means of reducing an agency's high workers' compensation costs is never at the expense of its employees' right to receive the medical, compensation, and rehabilitation benefits to which they are entitled.

One consoling fact, Mr. Chairman, even if we are not able to strike the ideal balance

of reduced costs and employee protections today, by holding this hearing, you at least have facilitated a new level of communications between key players in an important federal program.

Let the debate begin.

CONGRESSWOMAN BROWN
Closing Statement

Mr. Chairman, I agree that a sound disability review process can decrease fraud and abuse; however, it is important that such a process not harass, chill, or impede workers from using the workers' compensation benefits to which they are entitled.

VA's new management emphasis on workers' compensation – anchored by OIG's protocol and handbook designed for fraud detection – is in need of proper balance. VA should publish equally strong central guidance on ways to improve employee health and safety programs, early claimant assistance, and timely agency processing.

An unbalanced perspective of workers' compensation program administration sets an unhealthy workplace atmosphere. The perception that employees are cashing in by faking or exaggerating injuries creates a climate of mistrust in which every employee who is injured and files a claim becomes the subject of suspicion by VA case managers.

I wish the VA well in its campaign to reduce its high workers' compensation costs. I especially commend the Department on its sponsorship of the First Annual Federal Workers' Compensation Conference and Exposition this summer, and its wisdom to hold such a significant event in my congressional district.

I also wish to commend the Department of Labor's Office of Workers' Compensation Programs for their aggressive, yet sensitive, administration of such an important employee protection benefit.

I hope that as a result of today's hearing, an even stronger working relationship between VA and Labor will be developed for both the protection of employees and the improvement of program administration – a balance that should always be the goal of good government.

STATEMENT OF SHELBY HALLMARK, DEPUTY DIRECTOR
THE OFFICE OF WORKERS' COMPENSATION PROGRAMS
EMPLOYMENT STANDARDS ADMINISTRATION
U.S. DEPARTMENT OF LABOR
BEFORE THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
HOUSE VETERANS AFFAIRS COMMITTEE

March 25, 1999

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today and appreciate this opportunity to discuss the administration of the Federal Employees' Compensation Act (FECA) by the Department of Labor's Office of Workers' Compensation Programs (OWCP), for employees of the Department of Veterans Affairs and other Federal agencies.

The Federal Employees' compensation program covers nearly three million Federal employees in 72 different agencies, providing benefits to any of them who sustains an injury in the performance of duty anywhere in the world. Because of the extreme importance of these benefits to Federal workers, OWCP strives to provide due benefits as quickly as possible. OWCP offers the full range of medical and rehabilitation services to return injured employees to productive work at the earliest date possible. For the 170,000 injury notices filed annually, we maintain high standards of decision timeliness, prompt payment of wage loss claims and medical bills, and are especially proud of the high number of workers successfully returned to work. At the same time we recognize our fiduciary responsibility to employers and taxpayers. Since 1993 our periodic roll management project and other cost containment efforts have saved hundreds of millions of dollars and reduced the overall cost of the program measured in constant dollars.

OWCP's record of timely adjudication, well-controlled inventories, and timely payment has been consistent since the mid-eighties. After an intensive effort, including ongoing automation initiatives, the program has gained control of a dramatically increased workload, which overwhelmed our administrative resources in the late 1970's. Beginning in 1992, and well before the Government Performance and Results Act made strategic planning a requirement, OWCP had already turned its attention to achieving positive outcomes for employers and employees through targeted redeployment of its resources. OWCP's administrative expenditures have remained extremely low compared to most comparable state compensation programs, about 4% of total costs. Yet in the last several years we have been able to focus on better outcomes for employees in the form of early and safe return to work, and for employers in terms of better control of disability and medical costs.

I would like to discuss our overall approach to these issues, our interactions with the VA and other agencies, and where we think that our mutual energies and resources will bring about the best results.

Today, medical costs are better monitored and controlled than at any previous time. FECA has been utilizing a fee schedule for medical and hospital outpatient services since 1993, with annual savings of $100 million against billings. By regulations effective January 4 of this year, we instituted pharmacy and hospital inpatient fee limitations, which are expected to save about 15-20% compared to amounts billed for prescription drugs and inpatient stays. With expanded automation, we are now able to separate out costs unrelated to the claimant's work injury and this allows us to make sure we are paying only for services directly related to the work injury. Overall medical benefit outlays declined by 9% from chargeback year 1994 through 1997, but rose again somewhat in 1998, consistent with a trend seen in Medicare and the private sector.

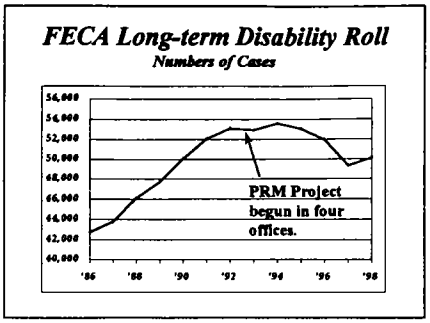
This year, Congress has supplied funding for a significant escalation in our monitoring of medical costs. We will begin to use software which detects "unbundling" (where a provider bills services as individual components instead of a comprehensive code, to increase revenue) and other improper coding and billing practices. In addition, we will add "quality assurance" staff in every district office to audit bills and monitor payment reports, identify inappropriate billing patterns, review the output of the software and provide expert assistance to our staff in handling medical billings.

Of course, long term disability benefits are the largest item in a Federal agency's benefit outlays. The FECA periodic roll -- individuals drawing benefits monthly on an ongoing basis -- continued to grow at an average of 3% per year during the late 80's and early 90's, even after the growth in the new claims had leveled off.

Although this trend had multiple causes, it was partly due to the change in procedures in the mid-80's which placed people on the long-term roll earlier to reduce case-handling, as well as a growth in the number of occupational disease claims which, if approved, are more likely to entail long-term disability. It is clear, however, that during the seventies and eighties, OWCP focused its limited staff resources on ensuring that new cases were reviewed and, when approved, paid; and that the time-consuming tasks of managing long-term disability were given a lower priority. Payments for claims on the periodic roll account for about 72% of the $1.9 billion dollars paid out in FY 1998.

We believe that the key cost driver in this program has been the lack of sufficient funds to carry out the careful review and case management activities that are needed to address these long-term cases. While outright criminal fraud and abuse does occur in this type of program, its incidence is relatively low (estimated at less than 3% in most of the studies and samples we are aware of). The major issue is the inertia of disability -- injured workers who become marginalized when their employers forget about them, their doctors treat them only as patients,

and they come to identify themselves as victims of injury and incapacity. Overcoming that inertia requires very proactive -- and therefore expensive -- efforts to work with the injured worker, his or her physician and other medical providers, the manager at the worksite, and sometimes rehabilitation service providers, to move individuals who are no longer disabled or only partially disabled back into the workplace.



The good news is that we now have a very effective program to address this issue. Our Periodic Roll Management project, which began in 1992 when 50 FTE were approved by Congress for this purpose, has netted more than $320 million in benefit savings to date through careful and fair evaluation of long-term cases. These results have been achieved even though we have not had the level of staffing needed to fully pursue this effort in all our offices. We project that more than an additional $500 million in benefits will be saved through FY 2004, because starting in FY 1999 Congress has provided funds for the full staffing of this project -- 120 FTE -- and to integrate its activities into the program. This review process has now become a permanent aspect of the FECA program rather than a one-time initiative. All cases now on the periodic roll which have not previously been reviewed in this manner, as well as cases which evolve to this status in the future, will receive this attention as a result of the expanded resources approved beginning this year. The teams arrange medical evaluations and appropriate medical and vocational rehabilitation, and terminate or adjust benefits for which the employee is not eligible.

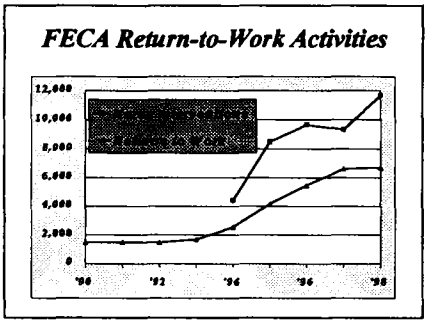
For the Department of Veterans' Affairs this has already meant a considerable savings. In 1992 when the project began, 5,217 VA cases were on the periodic roll, and 4,288 were in a total disability status. As of 1998, VA has 4,664 cases on the periodic roll, with 3,528 receiving total disability -- an overall decrease of 10.5% in cases, and a reduction of 17.7% in cases paid at the total disability rate.

Although we accommodate agencies that wish to review older periodic roll cases in our district offices, we believe that our newly expanded Periodic Roll Management effort is the best way

to address the costs of older cases. PRM staff is specifically trained to identify the best strategy with these cases. Nevertheless, a suitable job offer by the agency can be the key to eliminating the compensation cost for a case at any stage, as well as providing the most constructive outcome for the injured worker and his or her family.

To ensure that the periodic roll would not increase again, FECA developed a comprehensive approach to new injury cases. In 1992, we began contracting with registered nurses to visit our claimants, talk with their doctors, and work with agencies to identify light duty that was safe for them to do. Even if the agency does not communicate with the employee in the critical early period following an injury, OWCP now does.

The Quality Case Management program, a comprehensive program which includes nurse intervention, has redirected the program's focus towards returning employees to work in the early months following their injury. The nurses intervene in more than 10,000 cases per year, helping in the early days of disability to facilitate communications, ensure effective medical treatment, and aid the employer in finding ways to bring the injured person back to the workplace before the worker loses his or her sense of connection to the job. If the agency is unable or unwilling to reemploy, the case receives an independent medical evaluation and/or vocational rehabilitation services, in most cases within a year of being referred to the nurse and placed under case management procedures. Largely as a result, rehabilitations -- injured workers returning to their original employer or a new employer through OWCP assistance -- have increased tenfold from the 1986 level and fourfold since 1992, and now approach 7,000 per year, and the average cost per rehabilitation has plummeted.



Our field nurses work with employees of VA hospitals and other facilities around the country. In several facilities, we have seen distinct improvements in the responsiveness of VA personnel

in returning employees to duty.

Quality Case Management performance is measured in terms of a reduction in "days lost to production" which translates into productivity gains and cost decreases for agencies. During FY 1998, the average duration within the first year of disability for QCM cases dropped from 195 days in the fourth quarter of Fiscal 1996 to 183 days in the first quarter, 1999. This 12-day reduction yields approximate savings of $1.6 million in first year compensation payments avoided for the cases measured in the first quarter of this year alone. We believe these immediate savings will be dwarfed by the long-term impact of individuals returning to work whose disability might otherwise have lingered and become a life-long condition. OWCP strategic planning calls for continuing and expanding this very positive trend.

OWCP has a multi-faceted program to work with agencies to manage their overall compensation program, implemented through discussions at the program head level with agency heads, national and local technical assistance meetings, seminars and workshops, and our various publications.

In FY 1999 OWCP and OSHA will jointly pursue a government-wide "Federal Worker 2000" program that will require agencies to:

- Reduce the injury case rates for most Federal agencies by 3% per year, while at the same time increasing the timeliness of reporting new injuries and illnesses to ESA/OWCP for each agency by 5% per year.

- Reduce the lost time injury case rates for those worksites with the highest Federal lost time case rates by 10% per year.

- Following establishment of a baseline in FY 1999 or 2000, reduce the lost production days rate (lost days due to injury or illness per 100 employees) by 2% per year.

VA's recent success in reducing its injury rates should serve the agency well in addressing these goals, including the effort to reduce overall lost production days, since the best way to avoid lost days is by averting the injury in the first place. The rollout of this program will call for OWCP to measure all lost time, including the Continuation of Pay (COP) days paid by each agency in traumatic injuries, not merely wage loss periods, in counting lost production days.

For the last two years, OWCP has focused on the timeliness with which agencies submit injury notices and claim forms, using whatever bully pulpit is available to tell agencies that good case management and program management begin with the simple step of filing a notice of injury with OWCP. Once OWCP has the notice of injury, it can address medical treatment and testing, medical management, and return to work issues immediately. If the wage loss claim is received right away when wage loss begins, OWCP can assign a nurse who works to achieve

recovery and return to work.

Overall agency performance in this area has improved since we have been emphasizing it, but we have a long way to go. While VA's overall performance in this area is not the highest, some VA facilities are performing above the national average, showing that improvements are possible. OWCP has been working with VA to establish an electronic link to speed their submission of claim forms, and we hope that innovation can be implemented this fiscal year. Most interestingly, data for six VA Medical centers which had the lowest Lost Production Days in 1997 show that they are also centers which submit claim forms (CA-7s) more promptly than the VA overall. The timeliness of submission of claims for wage loss for those facilities with low production days averaged 16% better than the rest of the VA in the fourth quarter of 1997 and again in the 4th quarter of 1998. This relationship between timely submission of claim forms and lowering of days lost to disability has been noted for other agencies, and suggests that our emphasis on timeliness is well-placed.

In pursuing our own strategic planning and GPRA goal-setting, OWCP has become increasingly aware of the interdependence of our efforts and those of the Federal employing agencies, as well as the external impact of medical providers' behavior. Injured Federal workers view the FECA program as a single entity, and service must be well coordinated between the agencies and OWCP if it is to be successful. This is why we have included increasing agency timeliness of injury claim submission as one of our GPRA goals. We have redoubled our effort to encourage agencies to keep in touch with employees who are injured, obtain their restrictions from their physician, offer light duty as soon as the employee is recovered sufficiently to return to work, and make suitable reemployment offers to more severely disabled employees.

Agencies can now keep track of their cases and give advice to injured workers through OWCP's on-line Agency Query System, a secure internet site which gives essentially real-time information on cases such as medical bills paid, denied and suspended, wage loss claims awaiting decision, compensation payments made, case status, and accepted medical condition.

Guidance has been available in publications such as the FECA handbook for agencies (CA-810) and the training manuals for the advanced injury compensation specialist course we deliver to agency staff responsible for internal management of this program. We are working to expand and update these resources, because we believe that close cooperation between agencies and OWCP is the key to case management and an effective benefit program.

We are urging all Federal agencies to particularly focus their attention on the early stages following an injury, since that is when they have the greatest capacity to effect the course of the case. By promptly and accurately transmitting the notice of injury and any wage-loss claim to OWCP, by ensuring that supervisors keep in touch with the injured worker during the COP period, and by emphasizing the need to facilitate return to work during the crucial first six months, agencies can most dramatically impact on the success of the program and its long-term

costs.

I've tried to outline some of the things we're able to do to manage the benefit program, and several ways in which we can work fruitfully with Federal agencies. Again, I appreciate the opportunity to be here and share the OWCP perspective with you.

VA'S MANAGEMENT OF THE

FEDERAL EMPLOYEES COMPENSATION ACT PROGRAM

TESTIMONY
OF
RICHARD J. GRIFFIN, INSPECTOR GENERAL
DEPARTMENT OF VETERANS AFFAIRS

HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

March 25, 1999

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to comment on opportunities for improving management of the Department of Veterans Affairs (VA) Federal Employees' Compensation Act (FECA) program, also known as the Workers' Compensation Program (WCP). While VA's management has made improvements in the administration of the WCP, recent OIG audits and investigations have found that the Department is still significantly at risk for program fraud, abuse, and unnecessary costs.

In our view, enhanced management and oversight of VA's WCP is essential as the Department is a significant Federal employer and annually incurs substantial costs associated with WCP claims resulting from injury (physical injury, illness, or disease) sustained in the performance of duty. The Department's Fiscal Year 1998 payment for WCP costs to the Department of Labor (DOL), which administers the FECA program for the Federal Government, totaled about $140.8 million. These costs are based upon actual payments made by DOL in Charge Back Year (CBY) 1996 for the period July 1, 1995 to June 30, 1996.

In order to address the Department's risk in the WCP area, we have applied a three-step approach: comprehensive national audits; joint OIG and Veterans Health Administration (VHA) investigative and fraud detection efforts; and the development of a protocol package and handbook for use by VA managers for enhanced program oversight and fraud detection. Our efforts have shown that there are opportunities for the Department to reduce program fraud and abuse with more effective review and oversight of WCP claims.

OIG Initiatives in the Workers' Compensation Program

1985 OIG WCP Audit

In 1985, the OIG conducted an audit of claims filed under FECA. The report cited that the absence of clear program guidelines and the lack of overall program management resulted in higher WCP costs. The report projected that program cost would increase from $85 million to $98 million by 1990 if corrective actions were not taken to control costs. The principal audit recommendation was to assign responsibility in VA for program review, oversight, and evaluation of Department, agency, and facility activities. In response to the recommendation, VA established a part-time WCP Specialist position and developed program guidelines. A circular, which provided instructions for managing WCP cases and costs, was issued in 1989.

1992 OIG WCP Audit

In 1992, the OIG conducted an audit of the WCP as part of a government-wide review of the FECA program sponsored by the President's Council on Integrity and Efficiency. Government-wide, VA had the fourth largest FECA program, costing $116 million. The audit focused on VHA claims because they accounted for about 95 percent of all VA WCP claims. This audit found management of the WCP could be improved. The audit findings were based on case reviews of national statistical samples and questionnaires completed by 108 VHA field activities. Specifically, the audit found that:

- Work-capable employees were not returned to work because VHA field activities were not proactively monitoring WCP cases. We estimated that for the year ended June 30, 1992, about $11 million of WCP costs could have been avoided by returning claimants to work.

- In addition, we noted that long-term claimants received over 50 percent of the WCP compensation benefits paid. By returning to work current claimants who are no longer disabled, VA could reduce future payments by an estimated $232 million.

- Additionally, we found that VHA field activities did not consistently offer light duty positions to partially recovered employees.

We found that VHA field activities also did not have current medical information for some claimants, and in some instances, did not even have case files. Accordingly, the field activity could not monitor the claimants' recovery process. Additionally, we found that VA was not aggressively challenging questionable claims. As a result, we estimated that VA could not verify $17.8 million in annual WCP compensation payments.

We recommended that the Under Secretary for Health take actions to ensure that work-capable WCP claimants were removed from the rolls, and to improve management of the WCP area by developing a system to monitor program effectiveness. We also recommended that VA provide accountability at the local level by changing policy so that associated WCP costs were charged back to local facilities. In response to the audit findings, VA began charging part of the WCP costs to local facilities in 1994 and all of the costs in 1995. VA also began developing a WCP Management Information System (WC-MIS) in 1994, and issued new policies and procedures in August of 1997[1].

1995 Joint OIG/VISN Task Force to Prevent and Detect Fraud

In 1995, a joint OIG Office of Investigation and VHA effort at 4 VHA field activities in the New York City area resulted in 14 indictments and convictions for fraudulent WCP claims. Fines and restitution ordered totaled over $500,000 and lifetime savings from removal of the claimants from the WCP rolls would be about $4.3 million. Our efforts used numerous investigative techniques including surveillance, grand jury subpoenas, record reviews, and interviews.

One investigation involved a former motor vehicle operator at a VA Medical Center (VAMC) who received $85,800 in workers' compensation benefits between May 1991 and June 1996. In May 1997, the employee pleaded guilty to one count of making false statements in order to receive workers' compensation benefits. The employee admitted that he had submitted false statements to the Government indicating that he was unable to work due to an on-the-job injury at the VAMC while, in fact, he was the owner and operator of a restaurant. In August 1997, the employee was sentenced to 6 months' home confinement, 5 years' probation, and ordered to pay $85,800 in restitution. It is estimated that VA will realize a savings and cost recovery of $843,574. Civil action is pending.

In another case, a former food service supervisor at a VAMC through his wife, a former chief of labor relations at the same VAMC, filed for workers' compensation benefits in July 1990, after reporting he sustained an injury to his lower back, and has received approximately $128,000 in benefits. In September 1996, the employee was indicted on one count each of false statements and conspiracy and his wife was indicted on one count of conspiracy. In November 1996, the employee pleaded guilty to both charges. He admitted that, while he was receiving workers' compensation benefits, he owned and operated a limousine service. In February 1997, his wife, the chief of labor relations, pleaded guilty to one count of conspiracy to defraud the Government. The wife admitted she assisted her husband in the preparation of the false documents he submitted. In April 1997, the employee was sentenced to 1 month's imprisonment, 36 months' supervised release, to include 6 months' home detention, and was ordered to pay $40,000 in restitution to the Government. In June 1997, the wife was sentenced to 4 months' imprisonment and 24 months' supervised release, to include 5 months' home detention. It is estimated that VA will realize a savings and cost recovery of $930,000.

A discussion of some of the other program fraud cases we developed is presented in the Appendix to this testimony.

1998 National Audit of VA's WCP Costs

[1] In addition to VA's initiatives in response to the OIG recommendations, the Department of Labor began developing automated processing programs in 1992 to reduce the number of duplicate payments made for medical bills associated with WCP claims.

In 1998, at the request of Department officials, the OIG conducted a national audit of VA's WCP costs. The objective of the audit was to identify opportunities for the Department to reduce costs associated with WCP claims. The audit focused on the effectiveness of VA's case management of WCP claims.

The audit report was issued on July 1, 1998 and found that VA had made improvements in returning injured workers back to work and that overall program costs had been reduced for three Charge Back Years by a total of 6 percent. However, we found a lack of effective WCP case management at some VA facilities and that the Department was still at risk for program abuse, fraud, and unnecessary costs. A national statistical sample of active cases found that better case management could be achieved in 20.4 percent of the WCP cases reviewed. Based on the sample results, we estimated that VA in CBY 1996 could have potentially avoided $17.5 million in WCP compensation costs by returning employees back to work and/or removing employees from WCP rolls. We also estimated a future cost avoidance of about $247 million in reduced WCP compensation costs for projected lifetime benefits for claimants. Our review also identified 26 potential fraud cases that were referred to the OIG Office of Investigations. Based on the sample results, we estimated that in CBY 1996 there were over 500 fraudulent WCP cases totaling about $9 million.

The audit found that there are opportunities for VA to further reduce WCP compensation costs nationally with improvements in key case management areas. Key areas that can be enhanced included:

- Offering light duty to employees.
- Providing more timely follow-up actions.
- Maintaining case files on all open/active WCP cases.
- Providing more consistent resources to the program.
- Collecting and using "Continuation of Pay" cost information as a management tool for monitoring potential WCP cost and employee health and safety issues.
- Establishing more comprehensive WCP policies and procedures that take advantage of the best practices and proven case management methods identified in our review.
- Completing certain WC-MIS modifications to enhance the use of the system.

The report included recommendations that should strengthen WCP case management and reduce program cost by more effectively identifying employees to be brought back to work or removed from the rolls. Given the significance of the audit findings and the continued risk of program abuse and fraud, we recommended that the WCP continue to be monitored by the Department and included on its potential material weakness watch list of Internal High Priority Areas.

1998 Joint OIG and VHA Fraud Detection Efforts in Veterans Integrated Service Networks (VISNs) 2 and 22

Our audit and investigative experience has shown that potential WCP fraud can be profiled using selected case attributes or "red flags". Identification of these red flags range from analysis of automated data to detail discussions with appropriate facility staff and/or review of WCP claim and personnel files. Examples of red flags that can be identified through analysis of automated data are:

- High compensation costs with little or no medical costs.
- Claimant lives out-of-state or has a Post Office box address.
- Extremely old case.

Examples of red flags that can be initially identified through analysis of automated data but are also dependent on local economies or other factors are:

- Claimant has marketable job skills.
- Claimant alleges soft tissue injuries such as lower back injuries.
- Claimant has a history of WCP claims.

Examples of red flags that can only be identified by review of WCP claim and personnel files and/or discussions with appropriate facility staff are:

- Employees that are about to be terminated or have an adverse personal action taken.
- Temporary or seasonal work about to end.
- A tip from facility employees or other sources such as local newspapers.

During 1998 we used the red flags identified by our audit and investigative efforts and developed methodologies for identifying questionable and potential fraudulent WCP claims. Through initial analysis of CBY 1996 WCP data and discussions with VHA's Chief Network Officer, VISN 22 (Long Beach, CA) was selected for testing and refinement of our protocol package review methodology. At the request of the Network Officer, we also reviewed WCP claims in VISN 2 (Albany, NY) using CBY 1997 WCP data.

Our initial case selection criteria was made through automated analysis of WCP claims that received compensation payments in a given CBY using the red flag of high compensation with little or no medical cost. Cases were reviewed and analyzed to identify potential fraud and to determine and/or prioritize what actions needed to be taken to remove the claimants from the WCP rolls. Our efforts included:

- Site visits to DOL's Office of Workers' Compensation Program (OWCP) District Offices in San Francisco, New York, and Jacksonville.
- Discussions with the DOL Office of Inspector General, Office of Investigations.
- Discussions with the California State Insurance Fraud Division.

We selected only those WCP cases with compensation payments over $5,000 and medical payments less than $1,500 in the CBY being reviewed. Our review efforts have shown that these cases have the highest potential for fraud and removal from the WCP rolls. Although all WCP cases should be reviewed, using the above methodology assisted in determining which cases should be reviewed first.

These reviews have identified a number of potential fraud cases and claimants that have or will be removed from the WCP rolls. Overall, these reviews resulted in potential lifetime benefit reductions in compensation payments totaling about $45 million.

Development of WCP Protocol Package and Handbook

Based on work that we jointly completed with the Department in VISNs 2 and 22, a protocol package was developed to provide a methodology for enhanced VISN level review and oversight of WCP claims. Key aspects of the review methodology include:

- Coordination of review efforts with DOL's OWCP District Office to establish procedures for requesting assistance such as interpretations of information in OWCP case files.
- Identification of best practices and other tools that can be used to enhance case management and reduce program costs.
- Automated case targeting package for each VISN that prioritizes cases for review that have the highest opportunity for potential removal from the rolls and identification of fraudulent claims.
- Case review instructions and worksheets to organize the start of review efforts.

In addition to the protocol package, we also developed a handbook to aid individual VA WCP coordinators and specialists with day-to-day case management and fraud detection. This handbook contains key information and instructions from the protocol package but is designed for individual facilities. The methodology presented in the handbook was tested in VISNs 2 and 22 with the very successful results that I have discussed in this testimony. Although the protocol package was developed to provide VISNs with an effective methodology to enhance review and oversight of WCP claims and reduce annual VHA costs, these methodologies can be used by all Departmental offices.

One of the most important factors identified in our protocol package for effective WCP case management and fraud detection is providing sufficient program resources. In addition, our review found that the use of ergonomics and back programs is very effective in reducing employee injuries. There should be an ergonomic technical advisory group established to oversee the development of policies that emphasizes safety and training.

There should also be an accident review team that reviews all accidents that occur at the facility. This team should be made up of the WCP specialist, the safety officer, someone from occupational health, and a management representative. The accident review team should evaluate the circumstances of the accident to determine what should be done to prevent a recurrence.

The protocol package also contains an automated analysis of WCP claims as well as instructions on how to review WCP cases for identifying potential fraud. The automated analysis of WCP

claims provides a basis to prioritize cases for review and identify cases most likely to be fraudulent based on indicators developed during recent OIG initiatives in this program area.

Once the WCP cases have been prioritized through automated analysis, individual case reviews are needed to identify actions to remove the claimants from the rolls and to identify potential fraud. Specific instructions, including worksheets to aid in review and analysis, for case reviews are presented in the protocol package and handbook. Additionally, documents that will be reviewed and indicators of fraud are discussed. The case analysis and review worksheets provided with the protocol package were designed to provide a structured methodology for classifying WCP cases.

This concludes my testimony. I would be pleased to answer any questions you may have.

APPENDIX

Program Fraud Case Examples

WCP fraud occurs when someone knowingly and with intent to mislead, presents or causes to be presented, any written statement that is materially false and in order to obtain some benefit or advantage. Our 1998 audit of WCP costs showed that an estimated $9 million of CBY 1996 WCP costs could potentially be the result of program fraud.

The following examples are provided to highlight some of the types of FECA fraud cases that we have identified involving VA employees.

A former director of a Regional Education Medical Center received $530,000 in workers' compensation benefits since 1989. Information provided by the VAMC in 1994 indicated that the employee was teaching on behalf of an international organization, traveling throughout Europe and the Far East. The employee filed for workers' compensation benefits in 1989, claiming that an on-the-job automobile accident in 1987, in which he sustained injuries to his head and neck, also aggravated an injury to his lower back, which he reportedly sustained in 1983. As a result, the employee claimed he could not work. A Federal search warrant was executed on the employee's home and 15 boxes of evidence were seized including: financial records, tax returns, correspondence identifying employment related activities and travel records. In mid-1997, the employee and the United States Attorney's office (criminal and civil) reached a civil agreement. The employee agreed to relinquish any right to receive further benefits and to pay back to the Government $260,000. A certified check was received 2 weeks later.

A former nurse's assistant at a VA extended care center received nearly $160,000 in workers' compensation benefits from March 1980, until her conviction in March 1997. The employee is a licensed practical nurse and was employed by at least six employers including another VA facility while she received her workers' compensation benefits. In December 1996, the employee was indicted on one count of false statements and in March 1997, was sentenced to 5 years' probation. It is estimated that VA will realize a savings and restitution of $320,600.

A former electrician at a VAMC received approximately $320,000 in workers' compensation benefits since 1989, when he claimed post-traumatic stress disorder. The employee was arrested in July 1996 and admitted he had been employed while receiving workers' compensation benefits. In December 1996, the employee pleaded guilty to a one-count information and in April 1997, was sentenced to 6 months' home detention and 2 years' probation. In November 1997, the employee agreed to a civil settlement of approximately $38,000. It is estimated that VA will realize savings of $440,000.

A former VA registered nurse received $271,600 in workers' compensation benefits since 1980, when she claimed a lower back injury. Inquiries determined that the employee has worked for three different employers while collecting workers' compensation benefits. In April 1997, the employee was indicted on one count of submitting a false statement to the Government. We estimate projected savings of $370,000.

An individual received workers' compensation while operating several contracting businesses and receiving 100-percent VA compensation benefits based on unemployability. In February 1996, the individual pleaded guilty to one count each of mail fraud and fraudulent acceptance of VA benefits. In June 1996, the individual was sentenced to 36 months' imprisonment and 2 years' probation. VA created a compensation overpayment of $46,163.

A former VA police officer received $82,600 in workers' compensation benefits from March 1977 until June 1996, for a claimed lumbar injury. In May 1996, a one-count information was filed in U.S. District Court charging the employee with failure to report his employment with a local roofing contractor while receiving workers' compensation benefits. In August 1996, the employee pleaded guilty and was sentenced to 5 months' imprisonment, 5 months' home confinement, and 3 years' probation. VA will realize savings of $102,322.

A former licensed practical nurse received workers' compensation from April 1988 until December 1996 for a claimed electrical shock. The investigation established that she had worked from 1993 through 1995 while receiving workers' compensation benefits. The employee was indicted in November 1996, on 15 counts of making false statements. In February 1997, the employee pleaded guilty to all 15 counts and was sentenced to 6 months' home detention, 36

months' probation, and was ordered to pay $30,804 in restitution. The Government will realize recovery and savings of $81,554.

A VA claims clerk received workers' compensation from 1985 until June 1997. The employee was indicted on three counts of making false statements to the Government in order to obtain workers' compensation benefits. In September 1997, the employee pled guilty and admitted that she had lied when she claimed not to be working when, in fact, she was employed numerous times as a licensed vocational nurse. She was sentenced to 6 months' imprisonment, 6 months' home confinement, 3 years' probation, and was ordered to pay $46,245 in restitution. As a result of her false statements, she was overpaid more than $159,000 in workers' compensation. It is estimated that VA will have savings of $295,000.

Statement of

Ronald E. Cowles

Deputy Assistant Secretary of Human Resources Management

Before the

Subcommittee on Oversight and Investigations

Committee on Veterans' Affairs

U.S. House of Representatives

March 25, 1999

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Mr. Chairman and Members of the Subcommittee: I am pleased to appear before the Committee this morning to discuss the Department of Veterans Affairs' (VA) Workers' Compensation Program. I wish to begin my testimony this morning by expressing the Department's commitment to reducing workers' compensation costs and promoting the health and wellness of VA employees. We believe that establishment of appropriate workplace safety and injury prevention programs, employee safety education programs, quality employee health services, and management of employee injuries and claims are all important components of the spectrum of workers' compensation and occupational health and safety programs which VA provides.

Background on Federal Workers' Compensation

The Federal workers' compensation program was established by the Federal Employees Compensation Act of 1916, as amended, or "FECA," and is administered by the U.S. Department of Labor (DOL), Office of Workers' Compensation Programs. This program provides employees who sustain a work-related injury or disease with medical care, wage loss replacement, rehabilitation assistance, and death benefits.

FECA protects Federal workers from economic hardship due to work injury and illness through a non-adversarial system in which disputes are resolved through informal conferences or formal reconsideration at the district office level, administrative hearing at the national level, or review by the independent Employees' Compensation Appeals Board whose decision is final. Thus, employers avoid high legal costs and time-consuming litigation.

The cost of workers' compensation is paid initially by DOL, then charged back to employing agencies and is paid two years in arrears as a non-negotiable budget item. The exception to this chargeback process is the initial 45-day period after a traumatic injury, called "Continuation of Pay" or "COP." During the COP period, the employing agency may pay the salary of the injured employee while DOL adjudicates the claim. This period allows DOL time to review the claim without an interruption of an employee's salary.

VA Workers' Compensation Issues

In CBY[1] 1982, VA workers' compensation costs were $55.53 million. These costs rose steadily over the years, reaching $145.47 million in CBY 1994 - an increase of nearly 162 percent over 1982.

The Veterans Health Administration (VHA) comprises a major portion of VA's workforce. During the same time period, dramatic changes were occurring in the health care industry and within VHA. Health care was undergoing drastic restructuring including staff downsizing, changes in professional staffing composition, rapidly evolving technologies, and new infectious disease risks. These factors resulted in higher illness and injury rates in the health care industry overall, and in VHA in particular.

[1] CBY or "Chargeback Year," represents the annual billing cycle for DOL and covers the period from July 1 to June 30 of each year.

In CBY 1994, VA began coordinated efforts to reduce employee injuries and illnesses and to identify and control workers' compensation costs. As a result, workers' compensation costs fell in CBY 1995. This was the first time in the history of VA workers' compensation program that costs were reduced from the previous year. Despite increases in medical care costs, VA's workers' compensation annual costs are still less than they were in CBY 1994.

VA Activity to Reduce Workers' Compensation Costs

Since CBY 1994, VA has implemented a number of programs, management tools, and practices that have contributed to the reduction of workers' compensation costs. One key element of VA's program has been the development of VA's Workers' Compensation Management Information System, or "WC-MIS." The WC-MIS was developed in cooperation with DOL to provide current information to workers' compensation case managers, to provide statistical analysis of injury and illness trends, and to provide a communication link between VA case managers and VA's headquarters Workers' Compensation Program Manager. The WC-MIS automatically combines information from VA's personnel data system and DOL's workers' compensation case file to create a record that allows case managers to verify VA employment and to ensure that medical bills are related to the nature of the injury.

Information from DOL is transmitted electronically to WC-MIS each week. The database furnishes VA information on the adjudication status of a claim; the availability of injured employees for rehabilitation; information on the attending physician; the type of treatment provided; and the date and amounts of medical, compensation, and scheduled award payments. Facility case managers also use the system to generate reports that identify injury and illness trends to assist in the development of prevention programs. Regional and national program offices also use the WC-MIS to develop reports that provide managers and administrators analyses necessary to guide future program direction and

establish program accountability by assigning the workers' compensation costs to the lowest practical organizational level.

VA has also developed a training program to provide case managers with skills necessary to manage claims aggressively while remaining within the scope of the workers' compensation laws and regulations. VA's Workers' Compensation Program Manager receives support from VHA's Employee Education Center to conduct several training programs each year. These programs provide guidance on workers' compensation regulations, case management techniques, return to work strategies, and training on use of the WC-MIS. In addition to the overall VA training program, individual VA Administration programs are also in place. For example, the Veterans Benefits Administration (VBA) administers its own Workers' Compensation training program, which includes awareness training during new employee orientation, training for new supervisors, a three-part program via satellite for all VBA employees, and a course designed for Human Resources staff members, which provides Workers' Compensation claims processing and costing guidance. In addition, the VA Designated Agency Safety and Health Official issued an information letter to managers and supervisors highlighting the "Best Practices" for workers' compensation cost control. Increased knowledge and participation in the case management arena has also improved the relationship between local and regional case managers and the DOL Regional Claims Examiners and has created additional operational and communication advances.

In support of DOL requests to improve the timeliness of workers' compensation claims submissions, DOL and VA established a partnership to develop an electronic transfer of injury and illness claim information to DOL. When completed, this will enhance the transmission of accurate and timely submission of claims to DOL and provide a more accurate database from which to develop trend analyses. DOL established this data transmission system as the prototype for all other Federal agencies.

As VA's Workers' Compensation Program and the WC-MIS have matured, many facility and regional managers have grown to understand the value of case management efforts and begun to provide additional administrative and financial support to local, regional, and national program managers. Those facility and regional managers that participated in this program realized considerable reductions in their workers' compensation costs and provided more efficient service to veterans.

These efforts appear to be paying dividends. Existing cases on which payments were made have fallen each year as follows:

1995	17,339
1996	16,514
1997	15,724
1998	15,390

To further these goals, the Under Secretary for Health, Kenneth W. Kizer, M.D., M.P.H., established the Occupational and Environmental Health Strategic Healthcare Group, implemented a unique accident and injury tracking system, measured manager's performance in occupational health and safety, promoted education and research related to occupational health and safety, and made employee health and satisfaction a core value for VHA.

The Occupational and Environmental Health Strategic Healthcare Group has supported these programs through the development of the Automated Safety Incident Surveillance and Tracking System, or "ASISTS." The ASISTS database, which resides on the VISTA computer system at every VHA facility, provides VHA staff the ability to enter a computerized accident report at the time of occurrence. This enhances accurate recording of major and minor occupational injuries and allows the Strategic Healthcare Group to analyze causation factors. The system also uses e-mail to inform all members of the accident and safety management team that an incident has occurred and allows effective case

management to begin early. Through this new system, VHA hopes to identify the causes of common occupational injuries and illnesses, develop prevention strategies and improve employee wellness.

In addition to providing information that can be crucial to injury prevention, in the future the ASISTS database will be linked to the WC-MIS. The connection will facilitate timely submission of claims by transmitting them electronically through the WC-MIS to DOL. We estimate that the ASISTS/WC-MIS linkage will be completed by the end of FY 1999.

In FY 1997, VHA implemented a unique and extremely effective system to focus on occupational safety and health programs and to reduce workers' compensation costs by establishing occupational safety and health performance as a measure for VHA's top managers. The "Lost Time Case Rate"[2] or "LTCR," was selected as one of these performance measures for VHA managers and supervisors. This demonstration of management expectation at the highest organizational level established the accountability that prompted managers and supervisors to take greater initiative to improve employee safety and health and workers' compensation management. The WC-MIS provides LTCR analyses for this important initiative. Since 1995, the VHA LTCR per 100 employees has steadily fallen as follows:

1995	3.52
1996	3.47
1997	3.15
1998	2.83

In 1997, VHA's LTCR fell below the overall healthcare industry LTCR of 3.70. Further, VHA's LTCR trend is on a consistent downward trend, while the healthcare industry LTCR trend is beginning to rise.

[2] Lost Time Case Rate is the number of injuries or illnesses that resulted in time away from work beyond the day or work shift of injury per 100 employees.

VHA and the National Cemetery Administration have sought to improve field manager accountability by decentralizing payment responsibility to facility and regional units. Establishing this link between organizational performance and financial incentives has contributed significantly to cost reductions and increased management attention to employee mishap prevention and workers' compensation program management.

In February 1999, VA and the Occupational Safety and Health Administration (OSHA) announced a program evaluation partnership agreement that aims to enhance our occupational safety and health programs by proactively working together toward improved hazard identification and mishap prevention. The partnership is comprised of VA management, VA employee representatives, and OSHA. We believe this partnership will have substantial positive impact on both VA and OSHA safety and health program management and oversight.

Although progress in reducing costs continued through CBY 1997, the overall high cost of workers' compensation remained an issue over which VA management sought to exercise greater control. Accordingly, the Office of the Assistant Secretary for Financial Management, the Veterans Health Administration, and the National Cemetery Administration requested that the VA Inspector General (IG) review the Workers' Compensation Program to identify additional opportunities to reduce costs. The audit was published as Report No. 8D2-G01-067, on July 1, 1998.

Projected Improvements

VA has begun implementing the audit's recommendations. Actions to date include: participating in IG pilot projects to identify fraud and abuse; developing a protocol for a one-time Department-wide review of all open and active cases; and increasing training opportunities for workers' compensation management through

the sponsorship of and participation in a national conference on Federal workers' compensation management.

Conclusion

Mr. Chairman, although we have made considerable progress in enhancing employee safety and health programs and improving the management of workers' compensation cases, we recognize that VA can do more. Ideally, the foremost way to reduce workers' compensation costs is to prevent injuries and illnesses. In that regard, we are working to enhance our hazard identification and mishap prevention efforts by pursuing our partnership agreement with OSHA; aggressively targeting special program areas such as blood-borne pathogen exposure and workplace violence; promoting research into injury and illness causation; and seeking more effective methods to provide employee safety and health education opportunities.

In the workers' compensation arena, our intention is to increase the availability, accessibility, and utility of the WC-MIS to case managers and supervisors; complete efforts to link VHA's ASISTS program with the WC-MIS; continue our partnership with the IG to identify fraud and abuse; encourage the participation and alliance with employee representatives; and improve our efforts to train managers, supervisors, case managers, and employees in best practices for VA's Workers' Compensation Program.

We clearly understand that improving the effectiveness of employee safety and health programs and the management of the workers' compensation program will improve our ability to serve our nation's veterans. We thank the Committee for your interest and support of these efforts. This concludes my opening statement and I would be pleased to answer any questions you or the members of the Committee may have.

Statement of
Smith Jenkins, Jr.
Director, VA Desert Pacific Healthcare Network (Veterans Integrated Service Network 22)
Concerning
The Workers' Compensation Program
Before the
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
U. S. House of Representatives

March 25, 1999

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you to discuss the efforts of the Veterans Health Administration's Veterans Integrated Service Network 22 to improve management of the Workers' Compensation Program and reduce unnecessary costs.

Until about six years ago, VA Headquarters (HQ) paid all the Office of Workers' Compensation Program (OWCP) costs for the Department of Veterans Affairs. In an effort to better control, and possibly reduce, the continually escalating costs associated with the program, HQ decentralized the funds and responsibility for the OWCP program to each of the separate Administrations within the Department, and ultimately to the various field organizations and facilities.

Cumulatively the facilities in the VA Desert Pacific Healthcare Network (i.e., VISN 22), have historically had the highest level of OWPC costs in the country, far surpassing any other VISN. In Chargeback Year (CBY) 1995 (July 1, 1994 - June 30, 1995), the cumulative amount of OWCP cost in the facilities that now comprise VISN 22 was slightly over $13.4 million. It was apparent that action was required to reduce these costs.

Two VISN 22 facilities created separate, dedicated OWCP Coordinators, which were both Registered Nurses. The other VISN 22 facilities empowered Human Resources Specialists to assume primary responsibility for the various facets of the OWCP program. Additional support personnel were also provided at most facilities. It soon became obvious that good case management was the key to reducing both compensation costs and lost workdays.

Some of the specific problems identified by the OWCP staffs which were contributing to our high OWCP costs were as follows:

- Employees remaining off duty following an injury for a significant period of time
- Physicians, both VA and non-VA, not understanding that the VA can accommodate injured employees with physical limitations.
- Facilities and Services being unwilling to provide light duty positions.

- Employees intentionally avoiding the employee health clinic and going to VA emergency rooms after the employee health clinic had closed, based on the reputation that ER physicians tended to immediately place employees off duty and send them home.
- If a claim was accepted and compensation paid, but the agency disagreed with the acceptance, the agency has no appeal rights (see statute).
- In many instances, minimal to no correspondence between VA and the private sector treating physicians.
- In many instances the program had become a "retirement system" (which it is not).
- Frequently comprehensive pre-employment physical exams were not conducted.
- Comparatively minimal accident awareness and prevention training.

Several actions were then taken to address many of these identified problems, while being sensitive to employees with work-related injuries who legitimately needed to avail themselves of this program. In CBY 1998 (7/1/97 - 6/30/98), the cumulative amount of OWCP costs in VISN 22 had dropped to approximately $12.0 million., which reflects a reduction of 10.5%. Annualizing the OWCP costs experienced in the first half of CBY 1999 (7/1/98 - 12/31/98), amounts to a total projected CBY '99 OWCP cost figure of $11.5 million., which would equate to a 14.2% reduction from CBY '95. Some of the specific strategies implemented in VISN 22 to lower OWCP costs are as follows:

- Providing more staff devoted to managing OWCP claims, as previously described.
- Aggressive OWCP case management, from initial injury to final resolution.
- Implementation of a variety of Light Duty positions, to accommodate a wide range of injuries.
- Establishing communication with treating physicians to facilitate the expeditious, yet appropriate, return of employees to work.
- Establishing a better working relationship with DOL claim examiners.
- In off-hours (i.e., when the employee health clinic is not open), in general, ER physicians have been advised to return employees to work in a light duty capacity if at all possible.
- VA OWCP personnel provide counseling and packets of information to injured employees and inform them of their rights and responsibilities, as well as train all employees on OWCP rules and regulations to help ensure proper utilization of the program.
- Attempts have been made to acquire current medical documentation.
- Attend OWCP appeal hearings where employees are disputing denials of claims, in order to obtain up-to-date information.
- Coordination with Safety personnel on training for supervisors and employees regarding best practices for avoiding injuries.
- Evaluation of high-risk work areas, and implementation of corrective actions where indicted.
- Regular use of the VA's Workers Compensation Management Information System (WC-MIS).
- Use of the Department of Labor's Agency Query System (AQS).
- Establishing a dedicated VA position between VISNs 21 and 22, to serve as a full time liaison with the DOL to more expeditiously process, review, and adjudicate VA claims.

During the past year, VISN 22 has worked closely with the Office of the Inspector General (OIG), reviewing various aspects of the workers' compensation program. The primary focus was to identify "best practices", to develop an OWCP handbook to improve case management, and in turn, reduce compensation costs. Another facet of the work with the OIG involved the development of an algorithm to facilitate the identification of potential cases of OWCP fraud (e.g., dual compensation situations, where individuals who where considered to be "totally disabled" and were receiving OWCP payments were also gainfully employed, and in some instances performing the same duties for which they were being compensated). Another component of this was to also actually "test" the algorithm, and pursue investigation where indicated. As a result of this cooperative effort with the OIG, the OWCP Coordinator at VAMC Long Beach received the first ever Inspector General's Contribution Award given to a VHA employee.

We are making every effort to provide a safe and healthy work environment and offer programs on accident prevention, but occasionally, accidents will happen and our staff will continue to manage each case individually and establish light duty positions for employees where possible.

This concludes my statement. I will be pleased to respond to questions from the Committee.

Statement of
Frederick L. Malphurs
Director, Veterans Integrated Service Network, Albany, New York
Before the
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
U. S. House of Representatives

March 25, 1999

Mr. Chairman and Members of the committee:

I appreciate the opportunity to appear before you to discuss the Veterans Health Administration's Veterans Integrated Service Network's (VISN 2/Network 2) efforts to reduce employee-on-the-job injuries and to more responsibly manage our part of the program that provides benefits to employees who are injured on the job – the Federal Employees Compensation Act program.

Network 2 had the highest lost time incident rate of any Network in the country (5.7% during the 1st half of FY-98). In an effort to reduce and manage the Network incident rate, we established a Network OWCP Project Manager and Task Group to research the problems that we were encountering and to work with the Department of Labor (DOL) to resolve them. Through these efforts we found errors in accounting that had, a total of 67 cases reported as Lost Time cases that were actually No Lost Time cases. Through these corrections and other efforts we reduced our Lost-Time Rates to 3.96 at the end of FY98.

Among the steps taken within Network 2 to better manage this program were:

- Establish a Policy that supervisors accompany injured employee to the Employee Health Unit/Emergency Room in all cases to determine duty status.
- Issue Employees' Procedural Memorandum to report injury/illness to supervisor immediately.
- Establish a procedure that requires a supervisor to immediately initiate an incident investigation.

- Re-establish weekly case reviews within each facility, consisting of representation from Employee Health, Safety, Supervisor and Union. Special emphasis targeting frequent, multiple, and questionable claims. Minutes are provided to the Network OWCP Manager to monitor progress.
- Develop a Network 2 Criminal Investigator position with full support from the New York office of the VA Inspector General with a Special Agent assigned.

An OIG audit requested by Network 2 that was conducted during 1998 at Network 2, DOL in NYC and DOL in Jacksonville, FL. found additional cases that were removed from the chargeback report, identified potential fraud cases, and identified other potential program cost reductions. For Network 2 these IG efforts resulted in savings of over $200,000.

In August, 1998 our Network OWCP manager started making weekly DOL Site-Visits to discuss such issues as discrepancies in Lost Times Claims Rate codes, status of open cases and adjudication timeframes, requests for Second Opinion Exams, requests for DOL to suspend compensations due to non-receipt of Report of Wage information from claimants, and requests for Lost of Wage Earning Capacity to be determined (resolution of many requests are currently pending).

VA and DOL needs to continue striving for more effective/efficient management of OWCP cases. Timelines on filing and adjudicating claims must be met, as well as making suitable job offers, prompt termination of compensation benefits and timely periodic review of medical residuals. Through these joint efforts and the steps that we have taken in Network 2, we hope to further improve the functioning of this program and achieve additional cost savings that can be used for medical care for veterans.

Mr. Chairman, this concludes my statement. I will be pleased to respond to the committee's questions.

Post-Hearing Questions
Concerning the March 25, 1999, Hearing

for
The Department of Veterans Affairs

from
The Honorable Terry Everett
Chairman, Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
U.S. House of Representatives

Question 1: What is VA doing to reduce the incidence of injury at VA facilities?

Answer: VA takes injury and accident prevention very seriously. In addition to the programs detailed below, VA's Designated Safety and Health Official (DASHO), through VA's Office of Occupational Safety and Health (OSH), maintains an active safety education program and a comprehensive web site.

The Veterans Health Administration (VHA) has made accident and injury reduction at its facilities a high priority. The broad-based approach VHA has taken incorporates numerous measures including: improved safety and accident prevention programs; a new and innovative accident and injury tracking system; occupational safety performance measures for its top managers; partnerships with Federal agencies such as the National Institute for Occupational Safety and Health (NIOSH) and the Occupational Safety and Health Administration (OSHA); enhanced training programs for VA employees and union representatives; and technical education programs for safety managers and occupational health personnel. By addressing injury reduction with a wide-range of approaches, VHA hopes to successfully reduce accidents and injuries on the job.

VHA has established Occupational Safety and Health (OSH) programs at each of its 22 Networks. These programs oversee OSH programs at VA Medical Centers (VAMCs) within the Networks. Following the reorganization of the VHA into 22 Networks, each Network Director was required to develop, and submit for approval, a comprehensive OSH program. The primary mission of these OSH programs is to prevent injuries and illnesses to employees and provide a safe and healthful work environment. Performance standards have been established for Network Directors with goals to reduce lost-time cases due to injuries or illnesses, and to reduce workers' compensation costs through improved case management.

The National Cemetery Administration (NCA) is continually redesigning its work processes to provide more efficient service to veterans and their family members, and to reduce the risk of injury to its employees. For example, NCA has established a program in which the second inscription is added *in situ* (i.e., at the gravesite) to the currently existing headstone following the death and interment of a subsequent family member. This initiative improves service delivery, makes more efficient use of NCA resources by eliminating the need to procure a replacement headstone, and it significantly reduces the risk of back and other injuries because the original headstone does not need to be removed and a replacement headstone does not need to be installed. In FY 1998, NCA received the Vice President's Hammer Award for the Second Inscription Program.

Question 2: What is VA doing to reduce its costs per workers compensation claim?

Answer: VA's OSH Office oversees a Workers' Compensation Management Information System (WC-MIS) which provides on-line information to assist in general and specific case management for workers' compensation. In addition to actively encouraging all VA facilities to make use of this system, VA Administrations have undertaken a number of actions.

VHA has established performance standards for Network Directors that include reduction of the cost of workers' compensation (WC) claims costs. Data provided by the Office of Inspector General (OIG) reports clearly demonstrate that good case management following an employee injury or illness is very beneficial to both the employee and to the facility. Department of Veterans Affairs Medical Centers (VAMCs) are emphasizing the availability of "light duty" positions for employees who have restrictions on their physical activities until the employee is fully recovered and can return to his/her regular work responsibilities and schedule.

A key objective in NCA's "Strategic Plan - Fiscal 1998 through 2003," is to reduce WC costs and improve management processes. Beginning in FY 1998, NCA implemented a pilot project to reduce WC costs by decentralizing WC payment responsibilities. Funding and payment responsibility was assigned to NCA field facilities. As a result of this project, many NCA managers have initiated reviews of their open/active WC cases. NCA hopes to achieve many of the same OWCP program cost reductions that VHA has achieved by allocating funding and payment responsibility to its medical centers.

In recognition of the importance of strong direction in the effective management of WC claims, the Veterans Benefit Administration (VBA) appointed regional managers to provide leadership and program support for WC case managers.

Question 3: What is VA doing to improve its timeliness of filing workers compensation claims? Is improving timely filing of these claims part of VA's performance plan?

Answer: Improved timeliness of WC claims filing was incorporated as an element of the Secretary of Veterans Affairs FY 1999 OSH Program goals. These goals established parameters for timeliness instituted by the Department of Labor's Office of Workers' Compensation Programs (OWCP). As a result of this goal, the timeliness of filing WC claims improved 4.5 percent in the last year. A new software package, the Automated Safety Incident Surveillance and Tracking System (ASISTS), was recently implemented at VAMCs to increase the efficiency of handling accident forms. It is expected to reduce the time required to process these forms within a facility, and thus enable further improvement in the VHA timeliness of filing WC claims. The VA's WC-MIS electronic CA-1 and CA-2 filing system will also foster improved VBA and NCA timeliness.

Question 4: Is there a comprehensive approach throughout VA to improve the management of the workers compensation program? Is VA addressing injury prevention? Is VA actively managing each workers compensation case from the time of injury?

Answer: The most effective method of reducing WC costs is preventing injuries and illnesses. In support of injury prevention initiatives, the Secretary's FY 1999 OSH goals emphasize high-risk job identification by promoting and assisting in the development of job hazard analyses within each Administration. The job hazard analysis (JHA) is a tool developed by OSHA to scrutinize a particular job and identify its most basic hazardous exposures. JHA findings will then be applied to hazard abatement programs.

The VA Designated Agency Safety and Health Official (DASHO) encourages active participation in the case management process beginning with the first report of injury or illness. All VA facility managers are required to ensure that the injured or ill employee receives immediate necessary medical attention and is provided with the appropriate forms and information necessary to file for WC. The facility manager also investigates the incident.

WC case management is recognized as a critical tool for controlling WC claim costs in VHA Networks for the past 2 to 3 years, as evidenced by VHA's decreasing Lost-Time Case Rates (LTCR).

- FY 95 – 3.52

- FY 96 – 3.47
- FY 97 – 3.15
- FY 98 – 2.83

Question 5: What training does VA provide for workers compensation case managers?

Answer: The VA WC Program Manager has, over the past several years, conducted training programs for WC case managers that provide an understanding of OWCP regulations, interpretations, and best practices in WC case management. The program also provides information on typical medical treatment protocols, employee rehabilitation guidelines, return to work programs, and medical intervention programs sponsored by VA and OWCP. The training also promotes professional contacts between WC case managers, union representatives, OWCP Claims Examiners, and attending physicians. These contacts provide important communication links and information exchanges between all parties.

From August 29 to September 1, 1999, VA is sponsoring the First Annual Federal Workers' Compensation Conference and Exposition in Orlando, FL. The conference faculty is comprised of many Federal agency program managers and will provide participants broad exposure to the best practices of the best programs in the Federal government. The conference will include faculty from VA, OWCP, U.S. Postal Service, and Departments of the Navy, Transportation, Interior, Treasury, and many other agencies. Conference speakers and exposition vendors from private sector organizations will also provide a different perspective for Federal WC program managers.

The VA DASHO office also provides WC program management information to field stations through Intranet and Internet world wide web pages. The DASHO web page also provides access to many other Federal and private sector occupational safety and health and WC program resources.

Question 6: Is VA holding managers accountable for facility safety records? Is VA holding managers accountable for timely filing workers compensation claims paperwork? Is VA holding managers accountable for workers compensation fraud and abuse prevention?

Answer: Yes, VA is holding managers accountable for WC injuries and related costs. For example, VHA holds facility directors and safety managers accountable for facility safety records by including WC LTCR reduction requirements in Network Directors' performance measures. VHA safety goals are taken seriously by the facility directors and the facility safety managers. As noted in the response to Question 3, one of VA's safety goals is that WC claims be filed in a more timely manner.

VHA encourages managers and WC case managers to identify cases of fraud. OIG has recently developed guidance to help case managers identify fraudulent cases and report to the OIG office for further investigation. Working with VA Headquarters and VISNs 2, 8, and 22, the OIG has developed a Handbook and Protocol Package to assist VISNs and VAMCs to better identify potentially fraudulent cases, as well as those requiring improved case management. These documents contain "best practices" identified by OIG, as well as strategies to identify and improve case management. These materials are now being distributed to each VISN and VAMC.

Question 7: Has VA identified locations where the facility has been active in monitoring workers compensation cases and thus containing costs? Which facility locations should VA be more active in monitoring workers compensation cases?

Answer: Yes. Facility and network/area organization statistics are evaluated quarterly to determine progress in reducing the WC cases and increasing the timeliness of claims filing. OWCP has expressed their belief that timeliness is a significant indicator of good case management. The most recent OWCP timeliness data indicates that, in the

second quarter of FY 1999, 28 VHA facilities had a 75 percent or better timely claim form submission rate. Of those 28 facilities, 13 had timely rates of 100 percent. An additional 11 facilities had timeliness rates of 60 percent or better. We are continuing to promote timely filing and to take the steps necessary to increase timely claims filing at all facilities.

In addition, quarterly statistics, based on WC data obtained from the VA's WC-Management Information System (WC-MIS), is furnished to all Administrations to provide indicators of organizational OSH and WC Program progress. The information is posted on the VA DASHO web page to provide the most accessible distribution of information possible.

Question 8: What private sector models has VA investigated for examples of best practices? The protocol developed by the IG outlines the best practices within VA, but are those the best practices within the healthcare industry or within the federal government?

Answer: The VA DASHO office has begun working with several private sector organizations to identify best practices in WC outside the Federal government. We have also begun working with our Federal partners to identify successes other agencies have had in consolidating successful private sector practices into the Federal sector.

The best practices identified in the IG audit reflected those currently in place in several VA facilities. We intend to expand the best practices approach to more effectively include private sector best practices at the First Annual Federal Workers' Compensation Conference this August.

Question 9: When will workers compensation claims begin to be filed electronically in VISN 2?

Answer: VHA is developing the ASISTS program to electronically file VHA WC claims forms with OWCP. Currently, we plan to begin the process for all VISNs by September 30, 1999.

Post-Hearing Questions
Concerning the March 25, 1999, Hearing

for
The Department of Veterans Affairs

from
The Honorable Corrine Brown
Ranking Democratic Member
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
U.S. House of Representatives

Question 1: I am interested in identifying the barriers to VA's timely filing of an employee workers' compensation claim.

- **Please describe the normal processing steps and the average time each step takes, starting on day one when the CA-I or CA-2 claims form is received by a first-line supervisor at a local VA facility and ending with the form being sent to the Department of Labor.**

Answer: A claim for WC submitted to a supervisor by an employee is normally processed through the supervisor and the facility WC case manager. Based on the OWCP timeliness requirement of 10 working days for processing and mailing, the supervisor is allotted three to four days for investigating the incident, obtaining necessary documentation, and completing the form. The facility WC case manager is allotted three to four days to review the claim form, correct any errors or omissions, and follow up on the initial status of the injured or ill employee. The form is then mailed to OWCP for adjudication. Three to four days is normally allotted for mailing.

Specific responsibilities of each party are detailed in VA Directive 5810, "Managing Workers' Compensation Cases and Costs." A copy of this directive is enclosed.

- **What are the main causes for nearly 70 percent of VA's CA-1 and CA-2 claims forms for workers' compensation not being filed with Department of Labor within the 10-workday required time limit?**

Answer: There are several causes contributing to why CA-1 and CA-2 WC claim forms are not filed within 10 workdays. The foremost barrier to timely filing of claims is the cumbersome process that currently exists to filing paper forms with OWCP. VA is working diligently to automate this process by September 30, 1999. In addition, delayed processing of the forms by supervisors is a factor. In some cases, obtaining all of the required documentation results in a delay. In other cases, forms are submitted in a timely manner, but are delayed in the mailing process.

Planned enhancements to the new VHA Automated Safety Incident Surveillance and Tracking System (ASISTS) software will allow CA-1 and CA-2 forms to be electronically transmitted to OWCP. When completed, this will considerably improve the timely submission of VHA WC injury and illness forms. The VA WC-MIS is currently transmitting the CA-1 and CA-2 forms to OWCP for VBA, NCA and other VA organizations. We are certain that these technology enhancements will speed up the WC claims process once an incident is reported through the use of e-mail and electronic tracking protocols.

- **What goals and timeframes for meeting those goals has VA established for reducing the time required to file initial employee workers' compensation claims with the Department of Labor?**

Answer: The VA FY 1999 Secretary's Goals for OSH and WC have established timeliness as a measure of management accomplishment in conjunction with OWCP's

Federal Workforce 2000 initiative. The goal calls for facilities to increase, by 5 percent (over the FY 1997 level), the number of WC claims submitted timely to OWCP or to maintain an 85 percent or greater on-time submission rate for FY 1999. At mid-year, VA has improved on-time submission by 4.5 percent. Continued progress will be evaluated on a quarterly basis.

Question 2: If VA is able to automate the CA-1 and CA-2 claims forms for injury and illness as it hopes to, what will be the projected impact on processing times?

Answer: While a precise estimate cannot be determined at this time, we believe a 50 percent reduction in processing time is possible.

- **Once the CA-1 and CA-2 claims forms are automated, will VA also streamline its claims process; that is, will there be any fewer steps from the first line supervisor to the Department of Labor?**

Answer: OWCP determines what information is to be included on CA-1 and CA-2 forms, and who is responsible for providing this information. VA does not have the prerogative to change what must be included in the forms and who is required to complete them. As such, we do not believe VA will be able to significantly reduce the number of steps in the claims process. However, automating the completion of CA-1 and CA-2 forms will streamline the claims process and result in more timely submission of forms to OWCP. Automating the completion of forms will facilitate quicker input of information by those filling out the forms and permit simultaneous input of information by more than one person. When review and/or approval of the CA-1 and CA-2 forms cannot be done concurrently, an automated process will allow more expeditious submission of the form between people involved in the review/approval process.

- **When do you expect the CA-1 and CA-2 forms to be useable in an electronic form <u>and available throughout the entire Department</u>?**

Answer: OWCP and VA estimate that the electronic data interface will be operational and available throughout the entire Department by September 30, 1999.

- **What is the training plan and schedule for implementation of the new automated claims form system?**

Answer: In VHA, ASISTS training was provided to one person per facility in July – August 1998 using a "train-the-trainer" approach. This training included a multi-media training kit for use in subsequent ASISTS training to be conducted at individual facilities. The training kit included: videotape overview of ASISTS by the Under Secretary for Health, interactive CD-ROM, PowerPoint presentation, user's manual, training manual and sample tutorial. Additional training will be conducted in conjunction with the development of the next version of ASISTS. VHA plans to use the train-the-trainer approach again. The training kit will be updated to reflect the new capabilities that have been added to ASISTS.

The WC-MIS automated claims form processing training was provided to VBA, NCA, and other VA organizations' WC case managers through national conference calls, users groups meetings, regional training classes, information releases, and web-based materials. The WC-MIS is currently being used to generate paper CA-1 and CA-2 forms that will be sent electronically when data transmission issues have been resolved. Practice transmissions have been performed to provide final troubleshooting to OWCP and VA program managers.

- **When do you project that all CA-I and CA-2 forms originating within the entire department will be processed completely in an electronic format?**

Answer: September 30, 1999.

- **What would it take to make that happen sooner?**

Answer: Some technical questions between OWCP and VA remain to be resolved to complete the data interface that allows electronic forms transmission. We anticipate these issues will be resolved on or before September 30, 1999. VHA and the DASHO office are working to implement the ASISTS automated forms transmission program within VHA. VBA and NCA are presently ready to use the VA WC-MIS to transmit WC forms to OWCP.

Question 3: What are the VA's plans for automating the critical CA-7 form that also is submitted untimely to Labor nearly 70 percent of the time?

Answer: At this time OWCP has authorized only the CA-1 and CA-2 form for electronic transmission. VA is convinced of the benefit of electronic transfer of information and will implement any OWCP automation of WC claim forms.

We recognize, however, that VA must also improve its CA-7 timeliness record through other management controls. The VA DASHO office will begin reviewing this issue to identify impediments to timely submission of the CA-7.

Question 4: VA is assigning its workers' compensation costs to the lowest practical organizational level. In the Veterans Health Administration (VHA), the workers' compensation program is now used to measure a manager's performance. VHA managers are able to keep for their organizational use any workers' compensation savings they may realize.

- **In light of VA's decentralized administrative structure and its increased management incentives to save costs, what assurances can you give me that the workers' compensation rights of VA employees are being fully protected from over-aggressive local managers?**

Answer: Several initiatives have been implemented to minimize abuse of VA employee WC rights. For example, the partnership of management with our national unions has increased the sensitivity of local managers to employee OSH issues such as WC rights by educating union representatives and encouraging union participation in distributing WC rights information to their members. In addition, VHA has not detected any trend by local management to challenge employee WC claims due to reduced local operating budgets. In some cases, local unions have endorsed management's increased use of such measures as light duty to return employees to work. VHA ASISTS software also prints an Employee WC "Bill of Rights" statement. Every VHA employee and supervisor can print this "Bill of Rights" statement when reporting an injury or illness.

Any report of fraud or abuse, impediments to full employee access to the WC Program, or other claim mismanagement that reaches central office program managers will be reported to the OIG for investigation. In that regard, the OIG has been most diligent and helpful in working with VA Administrations to provide support and guidance in eliminating all types of WC fraud or abuse.

Question 5: The VA Inspector General's report on workers' compensation costs states that a "lack of effective ... case management at some VA facilities ... places the Department at risk for program abuse, fraud, and unnecessary costs."

- **What, if any case management currently is being done at the different levels of each Administration within VA?**

Answer: NCA case management begins at the cemetery level with program managers. Each national cemetery is provided assistance from one of three NCA Area

Offices in managing its OWCP caseload. Each NCA Area Office has a workers' compensation case coordinator. VBA has established WC case managers at each Area Office to provide technical assistance to field facilities.

Within VHA, case management of individual OWCP cases is conducted at the local VHA facility level. While VISNs and VHA headquarters are not involved in the management of specific OWCP cases, they have made significant efforts to improve case management by local VHA facilities. During FYs 97 and 98, VHA sponsored WC case management training for 200 facility-level staff. This training included discussions of measures facilities could implement to improve case management and reduce WC claims and costs. Individual VISNs have implemented a variety of initiatives to improve facility WC case management. These initiatives include:

- Establishing a VISN WC task force;
- Utilizing a VISN WC consultant to evaluate facility programs and recommend how programs could be improved;
- Meeting regularly with OWCP to discuss strategic planning, specific cases and improvements that could be made to facility WC programs;
- Conducting training programs;
- Promptly investigating discrepancies in data on OSHA Log, WC-MIS and ASISTS databases;
- Dedicating VISN and VHA facility staff to WC case management and emphasizing the importance of such positions; and
- Working with VHA Headquarters, VISNs 2, 8, and 22, the OIG has developed a Handbook and Protocol Package to assist VISNs and VAMCs to more easily identify potentially fraudulent cases, as well as those needing improved case management. These documents, now being mailed to each VISN and VAMC, contain "best practices" identified by OIG, as well as strategies to identify and improve case management.

- **What are the respective roles played by VA and the Department of Labor regarding the management of an employee's workers' compensation case?**

Answer: The Department of Labor – OWCP in this case – is responsible for adjudicating claims and managing the disbursement of medical, salary, and supplemental awards for employees injured on the job. They also manage the Federal WC chargeback system which allocates agency costs of WC claims and charges these costs back to the employing agency. OWCP provides technical guidance to agencies and employees through publications, pamphlets, information bulletins, training programs, and direct requests for direction from agencies.

Within the scope of the Federal Employee Compensation Act, OWCP regulations, and VA Directive 5810, "Managing Workers' Compensation Cases and Costs," VA provides training to employees on their rights and responsibilities, if injured at work, ensures that appropriate medical care is provided for injured or ill employees; submits claim forms to OWCP; maintains the current status of the claim to determine the potential for reemployment; and coordinates rehabilitation efforts. WC case managers also review OWCP payments and other information from the WC-MIS to ensure that medical treatments and payments are appropriate for the nature of the injury. VA WC case managers frequently work with the OWCP claims examiners and attending physicians to determine the employee's degree of disability and the availability of light duty work at the employing facility.

- **How would you characterize the level of cooperation between the VA and Labor in managing the various workers' compensation claims within the VA? For example, do the agencies typically work together on return-to-work issues, or is Labor left to handle those matters?**

Answer: We believe the relationship between VA and OWCP headquarters staffs is excellent. They have been interested in assisting our program improvement efforts, willing to participate in training efforts, and open to intervening in disputes between VA WC case managers and OWCP Claims Examiners. The level of cooperation between VA and OWCP field units has improved considerably over the past several years. Many facilities have developed an excellent rapport with OWCP Claims Examiners in resolving return to work issues, rehabilitation schedules, and other case management issues. We will continue our efforts to work cooperatively with OWCP.

Question 6: Private industry generally credits improved risk prevention as a major reason that workers' compensation costs have fallen by nearly 40 percent over the past five years.

- **What risk prevention steps has VA taken to help reduce injuries in the workplace?**

Answer: NCA has established a program in which the second inscription to a headstone is added at the grave site. This significantly reduces the risk of back and other injuries involving claims emanating from NCA.

VHA has taken the following steps to reduce accidents and injuries:

- Established, in 1997, occupational safety and health performance measures for VHA's Network Directors. Reduction of the Lost-Time Claims Rate (LTCR) was selected as one of these performance measures.

- Developed strong OSH programs in all facilities.

- Established the Occupational and Environmental Strategic Healthcare Group (SHG) to focus on the priority OSH issues. These issues include: needlestick injuries, latex sensitivity/allergies, reduction of workplace related illnesses and injuries, the ASISTS, partnerships with other Federal and non-Federal agencies interested in improving occupational health and safety, and enhanced training programs.

- Gathered safety initiatives and "lessons learned" from individual facilities to share with all facilities through publications and/or Internet web sites.

- Through enhanced accurate recording of major and minor occupational injuries, the ASISTS database, which resides on the VISTA computer system at every VHA facility, provides VHA staff the ability to enter a computerized accident report at the time of occurrence. This enhances accurate recording of major and minor occupational injuries. Additionally, the ASISTS database allows the SHG group to analyze root cause factors and track important trends. In this way, better prevention programs can be designed for the future.

- **What has been the effectiveness of the prevention measures, and how was that effectiveness determined?**

Answer: LTCR is a measure of the effectiveness of prevention measures. The LTCR for VHA has declined steadily since FY 1995, as follows:

- FY 95 – 3.52
- FY 96 – 3.47
- FY 97 – 3.15
- FY 98 – 2.83

- **What additional prevention measures could be taken by VA?**

Answer: VA is working to enhance hazard identification and mishap prevention efforts by pursuing a partnership agreement with OSHA and the unions representing VA employees. During the initial phase of this partnership process, 10 VA medical centers

are being jointly evaluated to identify program strengths and weaknesses. Special program areas such as bloodborne pathogen exposure, workplace violence, ergonomics, and general workplace safety and industrial hygiene are included in these evaluations. Regarding WC, VHA is working to increase the availability, accessibility, and utility of the WC-MIS to case managers and supervisors; completing efforts to electronically file CA-1 and CA-2 forms to OWCP through the ASISTS program; and continuing the partnership with OIG to identify fraud and abuse.

- **When will these measures be taken?**

Answer: These measures are currently underway.

- **What are the barriers to this action?**

Answer: A barrier to the fulfillment of these measures has been the time required to phase-in the additional ASISTS software requirements for tracking accidents and illnesses and training field staff on the ASISTS program. However, once it is in place, it should help steadily improve the safety and health of VA employees.

Question 7: In FY 1997 alone, 27 VA employees contracted tuberculosis because of their work taking care of very ill and contagious veterans. The National Institute for Occupational Safety and Health announced in 1995, that the use of low-cost respirators (from less than $1.00 to $8.00) could protect hospital employees who care for patients with highly infectious tuberculosis. According to the NIOSH press release, VA facilities could save up to $16 million annually by using such respirators.

- **What is the VA doing to make sure that all employees have access to protective respirators?**

- **What training is VA providing with regard to protective respirators and what, if any steps is the Department taking to encourage and ensure use?**

Answers to both items: VA's data for FY 1997 employee tuberculosis (TB) cases does not agree with the data in your question. VA's information from OWCP for FY 1997 indicates 2 cases of TB. VHA has funded the development of training materials and training programs for healthcare employees in the control of TB and the use of the appropriate respiratory protection. All facilities are required to have a written TB and respiratory protection plan. VHA policy requires respiratory protection for all persons entering rooms in which patients with TB reside. VHA has issued policy guidance to its field healthcare facilities on the use of respiratory protective devices. This policy guidance complies with the Centers for Disease Control and Prevention (CDC) Guidelines. VA's respiratory protection program follows regulatory requirements of OSHA, as well as the American National Standards Institute (ANSI). This should ensure access to respiratory protective devices for all VHA employees as appropriate.

VHA facilities provide respirators, perform fit testing and conduct training for healthcare employees involved in caring for patients with suspected and confirmed TB. Additionally, VHA has provided resources to upgrade ventilation in facilities that require TB isolation rooms and in other areas where negative airflow is necessary to protect the hospital employees, patients, and visitors. VHA also has a comprehensive TB skin-testing program to identify employees who may have been exposed to active TB cases. All VA healthcare workers are to receive periodic TB education appropriate to their work responsibilities and duties. This training includes the epidemiology of TB in the facility, mode of transmission, pathogenesis, diagnosis, practices that reduce the likelihood of TB transmission, and occupational risk of TB. All training is to follow the latest written regulatory requirements of valid oversight bodies such as OSHA. To assure that appropriate training occurred, the Office of Occupational Safety and Health obtained a grant from CDC and, working with VHA, provided national training to healthcare providers including VHA, via a satellite video broadcast entitled, "Tuberculosis Prevention in Healthcare Settings" on October 27, 1997. This eight-hour interactive

teleconference was broadcast to VA healthcare facilities nationwide and included a four-hour live interactive satellite broadcast, supplemented by four hours of presentations at participating VAMCs. Many private sector health care providers also watched and participated in the broadcast. The presentation materials and slides produced for this program are still used in training at VAMCs and are available to the public on the Occupational Safety and Health web site.

VHA also provides prophylaxis to employees who have developed positive skin tests as a result of exposure to patients having active TB. There were no TB-related occupational illness claims filed by VA employees in FY 1998.

Question 8: In FY 1996, VA had nearly 150 needlestick incidents. The reported number dropped to 120 in FY 1998. Needlestick injuries are preventable through retractable needles, needleless systems, and other safety devices and training.

- **What is VA doing to further decrease needlestick injuries?**

Answer: VA's Designated Safety and Health Official has compiled substantial information on needlestick prevention on its web site for VA and private sector use. In addition, the Under Secretary for Health has issued an Information Letter on Needlestick injury prevention (attached) to facility directors. This Information Letter recommends the re-evaluation of facilities' needlestick prevention programs to ensure that areas of high risk for needlestick injuries are identified and provided with the needlestick safety devices. VHA has also developed the software program ASISTS, which will allow national tracking of needlestick injuries. This database will allow the analysis and trending of needlestick injuries and can be used in the development of prevention measures.

- **What goals has VA established for the reduction and eventual elimination of needlestick injuries?**

Answer: VHA has accomplished its goal of providing VAMCs with a database to accurately record and track needlestick injuries and other bloodborne pathogen exposures within their facilities. Each facility will be asked to monitor the number of needlestick injuries and reduce exposures by 5 percent annually.

- **What is VA doing to ensure a no-fault injury reporting system so that injury reports can be used to increase safety and prevent injury and illness?**

Answer: VHA has in place a no-fault injury reporting system for needlestick injuries and is tracking the injury and illness incidents through the WC-MIS data system and the ASISTS software program. If a compensation claim is filed, tracking is done through the WC-MIS system. There is no intent to penalize any individual, group, service or facility for reporting an injury. There are goals and performance standards to encourage focusing on preventive practices to reduce injury rates and OWCP costs, but there is enough awareness on the part of the employees and the unions to prevent restrictions on reporting of injuries. We believe that by training employees on the optimal methods to avoid needlestick injuries and documenting accidents and injures through ASISTS, it will be easier to get more complete and valid reporting of these incidents when they occur. It is estimated that up to 75 percent of physicians' needlestick injuries and 50 percent of nurses' needlestick injuries go unreported in private healthcare organizations. Full reporting is encouraged within VA. Better tracking will facilitate development of evidence-based prevention strategies.

Question 9: Under the Administration's proposal for FY 2000, a large number of health care workers would have to be cut. In hospital settings, many back injuries occur because one nurse or nursing assistant or licensed practical nurse is forced to lift a patient when it would be safer to have two employees lift the patient together.

- **Has the VA examined how staffing cuts may lead to increased injuries and costs?**

Answer: VHA has carefully tracked injury rates and focused on injury prevention programs during the period of our downsizing. Accident and injury rates have not increased, in fact they are declining. VHA has used enhanced occupational safety programs, employee training, and engineering controls to obtain these results.

- **What is VA's plan for preventing workers' compensation costs from increasing as a result of healthcare staffing reductions?**

Answer: In spite of staffing reductions, VHA's accident rates have declined VHA-wide for the past three years. This is a direct result of numerous initiatives already discussed. We will continue these initiatives and search for new opportunities to improve our performance in the future.

Question 10: What efforts does VA take to stay in touch with employees who are out of work because of workers' compensation injuries or illness?

Answer: In most cases, the facility WC case manager and supervisor are primarily responsible for maintaining contact with employees off work due to a WC injury or illness. Upon determining the OWCP adjudication status through the WC-MIS, local WC case managers can make arrangements for the employee to begin appropriate rehabilitation and evaluate opportunities for light duty. VHA has been active in utilizing their healthcare expertise in occupational medicine to facilitate this process.

- **In a typical case, does VA attempt to maintain contact with its injured employees between the time they are injured and the time the Department of Labor contacts them?**

Answer: Yes. Facility supervisors and WC case managers typically maintain contact with the employee to ensure that: appropriate medical care has been received; employee rights under the Federal Employees Compensation Act are clearly understood; the necessary claim forms are provided; and medical documentation specifying any absences from work has been reviewed to determine the possible availability for limited or light duty.

- **Is there a special protocol for guiding VA in this regard, please provide.**

Answer: VA Directive 5810 (attached) instructs supervisors and WC case managers to maintain oversight of the claim and to be prepared to respond as appropriate for individual cases. The OWCP Pamphlet CA-810, " Injury Compensation for Federal Employees," provides additional guidance in managing the WC claims process.

Question 11: What, if any, efforts does VA make to ensure that workers' compensation medical bills are accurate before they are paid?

Answer: In accordance with OWCP procedures, employing agencies do not normally receive or review WC bills prior to medical provider submission to OWCP. However, upon receipt of the billing information through the WC-MIS, WC case managers may review payments to ensure that disbursements were for the appropriate amount, for the treatment indicated by the injury or illness, and that the attending physician is an approved medical care provider. Discrepancies identified by VA case managers are reported to OWCP District Offices for resolution and, if appropriate, a credit is issued in a following billing period.

Question 12: What, if any, linkages exist between the several Administrations within VA regarding the management of the Department's workers' compensation program?

Answer: The VA WC Program Manager is the primary WC program link between VA organizations. The VA WC Program Manager maintains active relationships with headquarters, regional, and facility case managers to facilitate consistent application of WC policy and clear paths for exchanging ideas, advice, and best practices. WC case managers in all Administrations are also encouraged to correspond and assist one another in resolving difficult cases. Further, the VA WC Program Manager assists WC case managers in developing a rapport with District and Regional OWCP claim examiners and supervisors.

The OIG has also been successful in transcending organizational boundaries to provide useful guidance to all VA organizations. The OIG Hotline also provides an intradepartmental outlet for employees to report potential problems in the WC arena.

- **Is there a shared or common management of workers' compensation program claims by the several VA Administrations when their facilities are co-located?**

Answer: VA medical centers assist the NCA by providing support to local national cemeteries in the administrative processing of workers' compensation claims. This includes assistance in the filing of CA-1 and CA-2 forms and subsequent submission to the Department of Labor. VA medical centers also assist in providing light duty assignments to facilitate returning injured NCA employees to work.

- **What has been VA's success in sharing workers' compensation program management between Administrations?**

Answer: VA has been successful in expanding the awareness of WC issues and communicating the necessity of improving our WC loss experience through intradepartmental WC meetings, national conference calls, and publications. The VA WC Program Manager acts as a focal point for bringing together the WC case managers and sharing information, ideas, new case management techniques, and revised regulatory and administrative actions. As indicated in the responses above, Administration leaders have taken positive and firm steps to focus management attention on effective methods of WC case management and share that information with other organizations. The VA OIG has further facilitated this information exchange through their publications and oversight efforts.

- **What have been the barriers to such sharing or linking, and what efforts are planned to overcome those barriers?**

Answer: In this era of budget constraints, programs to improve sharing and linking must compete with many other critical programs for scarce resources. It is not always possible to fully fund all valuable but competing programs. However, VA managers, union representatives, and supervisors are all in general agreement of the importance and value of cooperating in WC program development and implementation. They will continue to work to achieve enhanced sharing.

- **What plans does VA have to link the entire Department's workers' compensation program management information system?**

Answer: VA's tool to accomplish this is the WC-MIS. The WC-MIS database consists of claim information from OWCP and personnel/payroll information from the VA system. This system provides case status, cost, employee organization, and other important data to support WC case managers.

In the near future, WC-MIS and VHA's ASISTS program will be used to electronically transmit CA-1 and CA-2 claim forms to OWCP. All claim information output from OWCP will be maintained in the WC-MIS. The WC-MIS is available to WC case managers and is utilized as a source for OSH analysis throughout VA.

VHA Attachment to Rep. Brown's Question 8

IL 10-98-009
In reply refer to: 10NB

April 28, 1998

UNDER SECRETARY FOR HEALTH'S INFORMATION LETTER

NEEDLE STICK PREVENTION PROGRAM

1. Protecting employees from needle sticks is a critical element in the Veterans Health Administration's (VHA's) employee safety program. Therefore, by way of this Information Letter I want to reinforce the need for a needle stick prevention plan to be an integral component of every facility's written "Exposure Control Plan" for Bloodborne Pathogens, as required by the Occupational Safety and Health Administration (OSHA). Such a plan can keep our employees healthy and help prevent lost work time due to illnesses transmitted by needle sticks, as well as decrease workers' compensation claims and expenses.

2. Following my review of the recently released National Center for Cost Containment (NCCC) report, "Needle Stick Prevention in the Department of Veterans Affairs - 1996 Follow-up Survey Results," I noted that there has been progress in the efforts to reduce potential needle sticks, but that there were additional measures that facilities should undertake to further reduce this risk.

3. At this time, I want to emphasize that all facilities should take the following actions if they have not done so already:

a. Assure that your needle stick prevention plan is in compliance with the OSHA Bloodborne Pathogens Standards (see subpar. 7a).

b. Develop the "Exposure Control Plan," including procedures to prevent needle sticks. Since full implementation of the use of needle stick safety devices is a complex issue, facility management should ensure that it receives appropriate attention.

c. Assess and update your existing programs to identify locations of the highest rate of "high-risk needle stick-related" bloodborne pathogen exposure incidents. This should be done annually (see subpar. 7a).

d. Prioritize implementation of prevention management activities to those areas in which high-risk needle sticks have been shown to actually occur, including the purchase of safety devices by priority, with the high-risk procedures (e.g., subcutaneous and/or intramuscular (SQ/IM) injections, intravenous (IV) insertions and blood collection) first.

e. Identify the most effective needle stick prevention devices that have been demonstrated to protect employees in these settings.

f. Educate appropriate staff prior to implementation of needle stick safety devices and in accordance with OSHA's Bloodborne Pathogens Standard (reference 7a).

g. Make available and use needle stick safety devices in *all* areas where these or other high-risk procedures occur. *NOTE: Criteria to evaluate safer needle stick prevention devices are contained in subparagraph 7c.*

h. Ensure accessibility of sharps disposal containers and the timely removal and disposal of containers to prevent containers from becoming full or blocked so that their effectiveness is diminished. Importantly, the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) has identified full or blocked sharps disposal containers as a problem at Department of Veterans Affairs (VA) facilities.

4. Reporting and tracking of needle stick incidents is required by the Occupational Safety and Health Administration for the Log of Federal Occupational Injuries and Illnesses. The Federal Drug Administration (FDA) has reporting requirements for defective devices. The Designated Agency Safety and Health Official's (DASHO) Office has issued a letter defining these reporting requirements (DASHO Letter OOS-96-3 "Reporting of Needle Stick Incidents").

5. VHA is developing a software package to facilitate accident and needle stick reporting and tracking. This software can also be used to manage a wide range of Occupational Safety and Health (OSH) programs locally. More detailed information regarding this software program will be provided in a subsequent publication.

6. Follow-up Responsibility. The point of contact for clinical issues is Dr. Frances Murphy, at 202-273-8580, and the point of contact for technical questions is Mr. Arnold Bierenbaum at 202-273-5844.

7. References

a. Title 29 Code of Federal Regulations (CFR) 1910.1030, Bloodborne Pathogens Standard (Occupational Safety and Health Administration).

b. Needle Stick Prevention in the Department of Veterans Affairs – Monograph I -III, 1994-1995; National Center for Cost Containment.

c. Needle Stick Prevention in the Department of Veterans Affairs, 1995 Follow-up Survey Results; National Center for Cost Containment.

d. VA Manual MP-3, Part III, Appendix 5L.

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Under Secretary for Health

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Department of Veterans Affairs
Washington, DC 20420

VA DIRECTIVE 5810
Transmittal Sheet
August 5, 1997

MANAGING WORKERS' COMPENSATION CASES AND COSTS

1. **REASON FOR ISSUE:** To issue VA's Office of Workers' Compensation Programs (OWCP) policy.

2. **SUMMARY OF CONTENTS/MAJOR CHANGES:** This directive sets forth policy for managing workers' compensation cases and costs. The directive contains:

a. VA's commitment to a safe and productive workforce;

b. The requirement for prompt action on injury claims and returning employees to duty as soon as possible;

c. The requirement to notify employees of their rights and responsibilities;

d. Appropriate leave procedures;

e. Procedures for examining and treating job-injured employees at VA medical facilities;

f. Responsibilities for implementing and managing the program; and

g. Definitions of key terms used in the directive.

3. **RESPONSIBLE OFFICE:** Office of the Deputy Assistant Secretary for Human Resources Management.

4. **RESCISSIONS:** MP-5, Part I, Chapter 810, dated July 7, 1975, and Appendix A thereto.

CERTIFIED BY:

NADA D. HARRIS
Deputy Assistant Secretary for
Information Resources Management

BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS:

EUGENE A. BRICKHOUSE
Assistant Secretary for Human
Resources and Administration

Distribution: RPC: 5050
FD

MANAGING WORKERS' COMPENSATION CASES AND COSTS

1. PURPOSE. The purpose of this directive is to provide policies and procedures for managing workers' compensation cases and costs for all employees and former employees through the use of case management techniques, limited duty assignments, and rehabilitation and reemployment of partially disabled claimants.

2. POLICY

a. Coverage. The Federal Employees' Compensation Act (FECA) provides benefits to employees of the Federal Government who incur work related injuries or illnesses. This policy applies to all VA employees regardless of type of appointment. In addition, contract employees, volunteers, and loaned employees may also be covered under some circumstances. Determinations regarding coverage of these cases must be made on an individual basis (refer to 20 CFR, pt. 10, sec. 10.5).

b. General Provisions

(1) The Department of Veterans Affairs is committed to the maintenance of a safe and productive workforce. When employees are injured on the job, it is VA policy to cooperate fully with the Department of Labor, Office of Workers' Compensation Programs (OWCP) in providing appropriate benefits to them and to safeguard Federal funds expended for workers' compensation.

(2) VA officials will take prompt action with regard to all job-related injuries and or illnesses so that employees receive the appropriate benefits expeditiously and are returned to duty as soon as possible. Employees will be informed about their rights and responsibilities related to job-incurred injuries and illnesses.

c. Limited Duty Assignments. Employees who are disabled due to job-related injuries or illnesses will be provided limited duty assignments consistent with their medical limitations and qualifications. First consideration will be given to placing employees in a limited duty assignment within their current job classification and within their own service, division, or component. Limited duty assignments must be in writing.

d. Leave

(1) Employees are responsible for requesting appropriate leave and providing sufficient medical documentation to support the request.

(2) Unless the injury occurs before the beginning of the work day, time loss on the day of injury should be charged to administrative leave. Any time lost after the day of injury for medical treatment, examination, or disability, should be charged to the appropriate leave category or continuation of pay (COP). Administrative leave or excused absence after day of injury is not appropriate.

e. Use of VA Medical Facilities

(1) Employee Health Physicians or designees are authorized to examine and treat job-related injuries; however, employees must be informed, in writing, of the right to select a physician of their choice outside of VA for treatment. Employee Health Physicians may recommend to release from duty only those employees who are unable to perform any type of duty.

(2) When an employee elects to be treated at a VA facility, all medical services of VA will be provided to the extent that the Medical Center Director (or designee) determines that such treatment or service will not interfere with treatment or hospitalization of beneficiaries of VA. In addition to care and treatment, medical services also includes such services as: pharmacy prescription beyond the 3-day limit for employees, prosthetic appliances and equipment, CAT scans, MRIs, and therapy treatments.

(3) OWCP will not be billed by VA for emergency diagnosis and first treatment provided to employees for job-related injuries/illnesses. However, if outpatient treatment extends beyond the emergency diagnosis and first treatment, OWCP *shall* be billed as required by current appropriation laws and as currently prescribed by VHA Manual M-1, Part 1, Chapter 15, Charges and Payments for Medical Care. Employee Health Units/OWCP Specialists should assist by providing Medical Care Cost Recovery (MCCR) with the names of all employees receiving medical treatment for a job-related injury.

3. RESPONSIBILITIES

a. **Assistant Secretary for Human Resources and Administration.** The Assistant Secretary for Human Resources and Administration, as the Designated Agency Safety and Health Official (DASHO), is responsible for coordination of the workers' compensation program with the safety and health programs.

b. **Deputy Assistant Secretary for Human Resources Management.** The Deputy Assistant Secretary for Human Resources Management is responsible for general oversight of the workers' compensation program, including developing Department policies, providing advice and assistance to VA field facilities, conducting program evaluations, and providing liaison with the Department of Labor.

c. **Administration Heads, Assistant Secretaries, and Other Key Officials.** Administration Heads, Assistant Secretaries, and other key officials are responsible for ensuring that the policies set forth in this directive are carried out by all organizational elements under their jurisdiction.

d. **Field Facility Directors.** Field Facility Directors are responsible for implementing the policy and procedures in this directive, providing necessary resources for effective and efficient management of the workers' compensation program, and monitoring and controlling chargeback costs for the facility.

e. **Human Resources Management Officers or Appropriate Management Officials.** Human Resources Management Officers or appropriate management officials are responsible for managing the overall OWCP program for all facilities to which they provide service and will:

(1) Develop local policies and ensure that the Safety Officer and Employee Health Physician (in those facilities that employ Employee Health Physicians) and Union Representative are involved in the development. These policies must ensure that employees are informed of their rights and responsibilities, supervisors are trained to carry out their responsibilities, claims are processed in a timely manner, limited duty assignments are available in all services/divisions, and employees are returned to duty as soon as possible.

(2) Establish an effective relationship with the OWCP District Office and cooperate fully, to the extent possible, with OWCP in efforts to return injured workers to duty. Visit the OWCP District Office at least twice a year for the purpose of discussing the more difficult cases and to establish and maintain an excellent rapport with the Office, providing travel funds are available.

(3) Maintain adequate records and current medical status on injured employees (whether on or off the facility's employment rolls) to ascertain when job offers and limited duty are appropriate.

(4) Ensure that employees and their representatives, (designated in writing), have access to their records in accordance with applicable laws and regulations. The written designated representative shall have the same access to records as the employee.

(5) Assign OWCP case management to a specific highly qualified individual(s).

(6) Establish coordination procedures between the OWCP Specialist/Coordinator/Manager and the Safety Officer which will ensure the matching of OWCP Forms CA-1, Federal Employees' Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation, and CA-2, Notice of Occupational Disease and Claim for Compensation, with VA Form 2162, Report of Accident.

f. **Service/Division Chiefs.** (Note: At facilities which do not have subordinate services or divisions, the head of the facility will assume these responsibilities). Service/Division Chiefs will:

(1) Ensure that the policies and procedures of this directive are carried out by supervisors and employees under their jurisdiction, and that appropriate limited duty assignments are identified and developed within their service/division. Normally, limited duty assignments will be used to place job-injured employees within their own service/division. However, they can be used by designated staff for the placement of job-injured employees with medical restrictions which cannot be accommodated within the employee's assigned service/division.

(2) Cooperate with designated staff in the placement of any job-injured employees.

(3) Take appropriate corrective actions if negligence occurs, if safety procedures are not practiced, and to correct any safety violations.

(4) Ensure that all supervisors set the appropriate safety examples that employees are required to follow.

g. **Employee Health Physicians or Designee.** (Note: Although the following responsibilities generally apply only to VA medical facilities, other facilities should implement them to the extent practicable through employee health units). Employee Health Physicians or designee will:

(1) Provide examinations and treatment of job-injured employees and inform supervisors of specific restrictions/limitations of job-injured employees who seek medical treatment in VA Medical Centers.

(2) When requested, obtain clarification of medical restrictions/limitations from private attending physicians who are treating job-injured employees. To the extent practicable, the affected employee shall be so notified prior to such contact between the physicians.

h. **Workers' Compensation Specialists/Coordinators/Managers.** Workers' Compensation Specialists/Coordinators/Managers are responsible for day-to-day case management and will:

(1) Coordinate the facility workers' compensation program appropriately with job-injured employees, supervisors, attending physicians, OWCP, payroll functions, and the safety officer to ensure that all required actions and/or communications are performed.

(2) Ensure that the OWCP claim forms are processed within the 10 workday timeframe established in Department of Labor regulations so that injured employees may be compensated, when entitled, in a timely manner.

(3) Controvert claims, when appropriate, and instruct supervisors in effective methods for controverting claims by proper investigation and documentation.

(4) Verify that all OWCP forms are properly coded (e.g., facility chargeback code, injury codes, occupational code and ZIP code) so that Department reports may accurately track injuries and compensation recipients.

(5) Verify all reports provided by VA Central Office to ensure that claimants are properly charged to the facility.

(6) Monitor all cases from the time of injury until return to full duty and take appropriate actions to achieve a return to duty as soon as possible.

(7) Maintain the current status on all individuals receiving compensation, based on employment at the facility, whether or not the individual is still on the facility's rolls.

(8) Determine which cases involve the potential for reemployment and coordinate with the OWCP District Office and facility supervisors to that end.

(9) Coordinate rehabilitation training with OWCP for job-injured disabled employees when suitable positions within their medical restrictions cannot be identified at the employing facility.

(10) Issue CA-16 Forms, Authorization for Examination and/or Treatment, to employees with work-related injuries, as appropriate.

(11) Verify that employees are notified of all controversions and the reason(s) for the controversion.

i. **Supervisors.** Supervisors will:

(1) Advise employees of their rights and responsibilities, in writing, regarding claims for benefits under the FECA, emphasizing the importance of promptly reporting job-related injuries/illnesses.

(2) Provide the employee with Form CA-1 or CA-2, and other appropriate forms, and processing claim forms as soon as possible after becoming aware of an employee's job-related injury or illness. Supervisory action on claim forms shall be completed within five working days after written notification is received from the employee.

(3) Promptly inform the facility workers' compensation specialist/coordinator/manager and safety officer of all reported job-related injuries and illnesses.

(4) Review all reports of job-related injuries or illnesses and, if having a reason to disagree with any aspect of a claim, immediately gather pertinent information (fact finding), provide written documentation of findings, and take corrective action as appropriate.

(5) Identify and make available limited duty assignments which accommodate the medical restrictions of job-injured employees. If unable to provide a limited duty assignment within the employee's current job classification and service, employees will be referred to the Human Resources Management Office, or appropriate management official, for placement elsewhere in the employing facility.

j. **Employees.** Employees will:

(1) Exercise safe work practices.

(2) Notify their supervisors as soon as possible after a job-related injury/illness, or exposure to a hazardous material that is likely to result in a job-related illness by furnishing notice to the supervisor on Forms CA-1, CA-2, or CA-2a Federal Employee's Notice of Recurrence of Disability and Claim for Continuation Pay/Compensation, as appropriate.

(3) File claims and furnish necessary information to support claims in a timely manner and on appropriate forms.

(4) Except for emergencies, obtain Form CA-16, from the workers' compensation specialist/coordinator/manager before seeking treatment from a private physician or hospital for a job-related traumatic injury.

(5) Keep their supervisors informed of their current status. This includes providing the supervisor immediately with acceptable written medical documentation listing specific physical limitations and restrictions, if any, resulting from a job-related injury and imposed by the attending physician, so that limited duty may be identified, when appropriate. Employees are responsible for returning to duty when offered duties that are consistent with their attending physician's determination of limitations and restrictions.

(6) Request leave in accordance with appropriate procedures to cover all absences necessitated by a work-related injury or illness.

k. **Safety Officers.** Safety Officers are responsible for the facility safety program which includes review of accident investigations, statistical analysis and specific actions to reduce and/or prevent occupational accidents, injuries, and illnesses. Safety Officers will also provide advice on work environment and ergonomic issues related to the development of limited duty assignments.

4. REFERENCES

a. 5 U.S.C. 8101, et seq.

b. 20 CFR, Part 10, Claims for Compensation under the Federal Employees Compensation Act.

c. VHA Manual M-1, Part I, Chapter 15, Charges and Payments for Medical Care, Paragraphs 15.02, 15.16, and 15.25e.

d. National collective bargaining agreements.

5. DEFINITIONS

a. **Case Management.** The active case management of job-injured workers from time of injury until resolution to ensure that claimants receive appropriate benefits expeditiously and are returned to duty as soon as possible. Some of the main elements of successful case management involve: (1) forms and forms processing, (2) employee provider involvement, (3) investigations, (4) controversion of COP, when appropriate, and questionable claims, (5) limited duty determinations, (6) COP and leave administration, (7) vocational rehabilitation programs, and (8) job offers.

b. **Limited Duty.** The temporary assignment of duties/functions that are consistent with the employee's physical restrictions and qualifications. A limited duty assignment may consist of assignment to a vacant position, or to a set of tasks/functions established for this purpose, or to a limited range of duties within the employee's current position. Limited duty may also include reduced hours or changing the employee's scheduled tour of duty without loss of pay.

c. **Workers' Compensation Specialist/Coordinator/Manager.** Personnel selected by the employing facility to manage the facility's OWCP cases.

Department of
Veterans Affairs

Office of Inspector General

Handbook For VA Facility Workers' Compensation Program (WCP) Case Management and Fraud Detection

This handbook contains key information, instructions, and worksheets to aid individual VA facility WCP Coordinators and Specialists with case management and fraud detection efforts.

Report No. 9D2-G01-064
Date: April 14, 1999

Office of Inspector General
Washington, DC 20420

FOREWORD

The Office of Inspector General (OIG) is committed to reducing fraud, waste, and abuse in the Department of Veterans Affairs (VA) Workers' Compensation Program (WCP). During the last year, the OIG has been engaged in a review of VA's WCP. While VA has made improvements in the WCP area, recent OIG audits and investigations have found that the Department is still significantly at risk for program fraud, abuse, and unnecessary costs. As a result of our audit work, we developed a methodology for WCP case review that management can use for oversight and fraud detection to aid in reducing program costs and identifying fraudulent WCP claims. ***(OIG Protocol Package For Veterans Integrated Service Network (VISN) Workers' Compensation Program (WCP) Case Management and Fraud Detection – OIG Report No. 9D2-G01-002).***

This handbook contains key information and instructions to aid individual VA facility WCP Coordinators and Specialists with day to day case management and fraud detection efforts. Although this handbook was developed to enhance review of Veterans Health Administration (VHA) WCP claims, because they account for about 95 percent of the Department's WCP cost, the same methodology can be applied to all Department elements (e.g., Veterans Benefits Administration, National Cemetery Administration, etc.). The methodology presented in this handbook was tested in VISN 2 and 22 with very successful results. These results showed that VA's risk for fraud, abuse, and unnecessary WCP costs can be reduced with effective review and oversight of WCP claims.

Use of this case management fraud detection handbook should help VA WCP Coordinators and Specialists better identify potential program fraud, waste, and abuse, and reduce WCP costs. If you need any additional information or assistance in using this handbook, please contact Stephen Gaskell, Director, Central Office Operations Division at (202) 565-4098 or James Farmer, Project Manager at (202) 565-8457. If you need additional information or assistance on referring suspected fraudulent claims, please contact James Gaughran, Program Director, Benefits Fraud at (202) 565-8595.

Richard J. Griffin
Inspector General

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BACKGROUND AND METHODOLOGY

The Federal Employees' Compensation Act (FECA) Governs Benefits Provided to Employees for Work Related Injury or Disease

FECA provides compensation and medical benefits to civilian employees of the Federal government for personal injury or disease sustained while in the performance of duty. FECA also provides benefits to an employee's dependents if the work-related injury or disease results in the employee's death. Benefits provided under the FECA program constitute the sole remedy against the United States for work-related injury or disease. Additionally, employees sustaining a traumatic injury in performance of duty are entitled to Continuation of Pay (COP) for up to 45 days while they recover from the injury under FECA. Currently, the program is administered by Department of Labor's (DOL) Employment Standards Administration, Office of Workers' Compensation Programs (OWCP). The employing agency is responsible for initiation of claims and much of the case management. Guidance for these responsibilities are contained in OWCP's publication CA-810 "Injury Compensation for Federal Employees, A Handbook for Employing Agency Personnel" revised in February 1994.

OWCP Responsibilities

OWCP is responsible for adjudicating claims and making payments to claimants. OWCP provides wage replacement benefits, payment for medical treatment, vocational rehabilitation, and certain other benefits to injured workers and their dependents. The OWCP Division of Federal Employees' Compensation has responsibility for adjudicating FECA claims filed by Federal employees. In addition to payment of medical costs and compensation benefits, case management services provided by OWCP include:

- Assistance in returning to work – FECA gives injured workers the right to reclaim their Federal jobs within one year of the onset of wage loss.
- Assignment of a registered nurse to work with injured employees who cannot return to work soon after the injury.
- Referral to a medical specialist for second opinion examination when necessary or required for additional medical information.
- Vocational rehabilitation services if the employees are unable to return to work at the employing agency or in the previous job/occupation category.

OWCP makes payments related to FECA claims out of the Employees' Compensation Fund and bills the employing agency annually. The employing agency then reimburses this fund through annual operating appropriations. Additionally, OWCP provides the employing agencies a quarterly listing of payments made to claimants and service providers.

Employing Agency Responsibilities

The employing agency has no authority for approval or denial of claims filed under FECA; however, the employing agency may dispute paying of COP. This process is known as controversion of claim. There is an appeal process for injured employees if the claim is denied. However, once wage loss compensation has been approved by OWCP, the employing agency cannot controvert the decision. VA as employing agency is responsible for:

- Ensuring that appropriate agency personnel such as supervisors understand their responsibilities under FECA.
- Notifying the injured employees of their rights and obligations under FECA.
- Controverting questionable claims.
- Initiating the FECA claim and ensuring timely notification to OWCP.
- Providing and tracking COP if employees are unable to work.
- Assisting employees with returning to work as soon as possible by providing light or modified work duties.
- Monitoring the medical status of injured employees to ensure they are able to return to work as soon as possible.

The Assistant Secretary for Human Resources and Administration is responsible for providing Departmental organizations with overall program guidance. WCP administration is decentralized within VA; therefore, program responsibilities are carried out by the field facilities. Each facility is responsible for designating an employee to serve as the facility's workers' compensation Specialist or Coordinator. This position is generally located within the Human Resources Service and has collateral duties assigned to the position.

Program Process

When employees are injured while in performance of their duties, prompt action should be taken to ensure the employees receive the appropriate FECA benefits and return to duty as soon as possible. Once employees report their injury, they are to be informed of their rights and obligations under FECA. Generally, employees should receive appropriate medical attention, if needed, from VA's Employee Health Unit or employees' private physician. If employees are unable to return to their duties as a result of the injury, then they are entitled to up to 45 days of COP. COP is authorized for traumatic injury but not for occupational or other diseases. If employees are still unable to return to work at the end of the 45 days, they are entitled to begin receiving compensation for lost wages (after 3 days of no wages). The compensation will be based on the employees' pay rate at the time of the injury or time of disability, whichever is greater. The WCP case should be monitored until the employee is cleared by a physician to return to work.

Profiling Potential WCP Fraud (Red Flags)

Our audit and investigative experience has shown that potential WCP fraud can be profiled using selected case attributes or "red flags". Identification of these red flags range from analysis of automated data to detail discussions with appropriate facility staff and/or review of WCP claim and personnel files. Examples of red flags that can be identified through analysis of automated data are:

- High compensation costs with little or no medical costs.
- Claimant lives out-of-state or has a Post Office box address.
- Old WCP case.

Examples of red flags that can be initially identified through analysis of automated data but are also dependent on local economies or other factors are:

- Claimant has marketable job skills.
- Soft tissue injuries such as lower back injuries.
- History of WCP claims.

Examples of red flags that can only be identified by review of WCP claims and personnel files and/or discussions with appropriate facility staff are:

- Employees that are about to be terminated or have an adverse personal action taken.
- Temporary or seasonal work about to end.
- Tips from facility employees or other source such as local newspapers.

Automated Analysis of WCP Claims

In 1994, the Austin Automation Center began developing the Workers Compensation and Occupational Safety and Health Management Information System (also called the Workers Compensation and Safety Tracking Program) that consists of two management information systems. One of these systems is the Workers' Compensation Management Information System (WC-MIS). Our national audit found that the WC-MIS assists WCP Specialists and Coordinators in case management by giving them access to selected case information obtained from DOL OWCP and VA personnel records. We used the WC-MIS in our audit to obtain case information such as current cases status, injury type, and medical bills paid. Additionally, information similar to what we used for the protocol package automated analysis can be downloaded to a personal computer. Using this information to create spreadsheets or databases enables the WCP Specialist or Coordinator to perform automated analysis of facility WCP claims. Types of automated analysis that can be performed are as follows:

- Identify WCP records that received compensation payments during the Charge Back Year (CBY) being reviewed. Then prioritize records by creating separate files for: (1) case records where the claimants are over 65 years old, (2) case records that are less than 4 years old (based on date of injury), and (3) all other active/open claims (this will be the primary group for review).

- Compare compensation and medical cost on WCP records to identify WCP claims with high compensation payments and no or very little medical cost.
- Identify WCP records where the claimant's mailing address is in a different state than the facility paying the claim.
- Perform frequency counts on occupational codes and nature of injury codes to assist in identifying WCP claimants with marketable job skills and trending nature of injuries.
- Identify old WCP claims through aging of cases.

BEST PRACTICES AND OTHER AIDS FOR CASE MANAGEMENT

Overview

The most important factor for effective WCP case management and fraud detection is providing sufficient program resources. The amount of resources needed to manage the WCP will very from facility to facility depending on the number of WCP claims at the facility. However, there are key elements needed at every facility for effective WCP case management. Key case management elements include:

- Maintaining case files on all open/active WCP claims no matter how old the claim.
- Offering light or modified duty to employees as they recover from their injury. OWCP studies show that the longer an employee is off from work the harder it is to get them to return.
- Providing timely follow up actions on cases. VA has the ultimate responsibility for case management which includes following up on untimely or lack of action by the DOL OWCP.
- Monitoring program areas such as COP to develop trends in potential increases or decreases in WCP cost.
- Utilizing automated WCP information systems such as VA's Workers' Compensation and Safety Tracking Program or OWCP's Agency Query System (AQS).

During our recent review efforts in the WCP area, we identified best practices at various facilities that resulted in enhanced case management and reduced WCP costs. We believe that identification and implementation of best practices Department-wide is essential to reducing the agency's WCP costs. We found that at one VHA facility, in VISN 22, aggressive efforts to reduce WCP costs encompassed many of the best practices discussed below and resulted in about a $2 million reduction in WCP costs over 4 years. Best practices and other tools that can be used to reduce WCP costs are discussed below.

Establish a VISN WCP Coordinator

We believe that an effective way to enhance WCP management and oversight at the VISN level would be to establish a VISN WCP Coordinator to oversee facility programs and coordinate VISN initiatives with applicable OWCP District Offices. The VISN WCP Coordinator could even be located in the same city as the OWCP District Office. Someone with medical/clinical background may have a better understanding of terminology used in medical exams and reports that would allow for easier development of modified or light duty job offers. Additionally, they would be better able to develop residual effects of work-related injury or disease. Our review efforts have found that some VISNs have already established or are considering establishing VISN WCP Coordinators.

Establish a WCP Task Force

Establishing a VISN level task force to identify elements needed for effective case management and to develop VISN WCP policies and procedures can significantly aid in reducing WCP costs. The task force could serve as a vehicle for sharing of information among WCP Specialists. Through this process, complex case management and other WCP issues could be resolved.

We found that at one VHA facility in VISN 8, a special WCP task force was established to identify ways to reduce WCP costs. The task force was made up of members from various facility services. Task force recommendations that were implemented included the following:

- Have the employee report to facility Occupational Health Physician when injured and be cleared by Occupational Health Physician before returning to work or light duty. (Injured employees have the option of reporting to an Occupational Health Physician when injury is incurred and may continue to use the physician to treat the injury.)
- If the facility Service does not offer the injured employee light or modified duty, then they lose the position/Full Time Employee Equivalent (FTEE).

According to facility management, as a result of implementing these two recommendations, injured employees are not out of work as long because the Service they work in does not want to lose the FTEE. Additionally, medical costs are reduced because some injured employees will continue to use the Occupational Health Physician.

Challenge Questionable Medical Reports, Assessments, and Bills

WCP Specialists should challenge questionable medical reports, assessments, and bills. Injured employees or doctors may submit medical bills unrelated to injury for payment and receive payment from OWCP if not questioned. Additionally, treating physicians may not be specific about amount and type of work that an injured employee can do if not asked. Someone with a medical/clinical background generally has a better understanding of medical terminology and would be more likely to challenge questionable medical information. Having someone with a medical background available for the program can significantly aid in reducing WCP costs.

Offer Creative and Innovative Jobs to Employees on WCP Rolls

Offering creative and innovative jobs to employees on WCP rolls could foster a more efficient and effective work environment. At some of the facilities we visited, the WCP Specialist would develop modified or light duty positions based on injured employees' abilities and work limitations rather than available positions. This method was especially useful in returning WCP claimants back to work that had been on the rolls for a number of years. Additionally, with the current advancements in computer and information technology, telecommuting is also available as an innovative job method.

Establish a Network for Modified or Light Duty Jobs

Our automated analysis of the 6,513 claims for compensation payments in CBY 1997 found that about 1,032 claimants (15.8 percent) lived in states other than the state where they incurred the work-related injury. We found that several of the VHA facilities in VISN 22 had traded light duty positions with each other for their WCP claimants who were living in other parts of the state. The facility in one city provides a job for a WCP claimant from another facility who lives in its city and the other facility does the same for a claimant living in its area. The same type of job sharing or networking could also work on a national level with all VHA facilities.

Utilize Available Automated WCP Information Systems

Available automated tools such as DOL's AQS and VA's WC-MIS can be used to keep abreast on status of claims, bill information, and compensation payments. These systems can also be used to develop trends and identify claimants with a history of WCP claims. During our national audit of WCP costs, through the use of VA's WC-MIS, we identified one claimant who was receiving WCP compensation for a work-related injury while working at another VHA facility. The WCP Specialist should review the information that is in the WC-MIS to ensure that information is correct. Additionally, billing information is readily available to assist in identifying duplicates and potentially bogus bills.

Establish a WCP Hotline for Reporting Program Fraud or Abuse

A WCP hotline could be an effective deterrent for fraudulent claims and to program fraud, waste, and abuse. The hotline could be established at either the VISN or facility level. Employees and others could call and report fraudulent claimants or other program abuse. Reported information could be reviewed for possible referral to the OIG. In order to keep cost down, an alternative to a hotline could be a special post office box.

Other Best Practices and Tools

Our review found that ergonomics and back programs are very effective in reducing employee injuries. There should be an ergonomic technical advisory group established to oversee the development of policies that emphasizes safety and training. Several facilities we visited have back programs that include training on proper lifting techniques and appliances (such as back braces to use when lifting).

There should also be an accident review team that reviews all accidents that occur at the facility. This team should be made up of the WCP Specialist, the safety officer, someone from occupational health and someone from management. The accident review team should evaluate the area where an accident occurred to determine what could be done to improve the area and prevent recurrence.

Additionally, VISN 2 has hired an employee with an investigative background to obtain information on suspected fraudulent WCP claims. This employee is available for all VISN facilities to aid in gathering information for case referrals to the OIG Office of Investigations.

CASE REVIEW INSTRUCTIONS AND WORKSHEETS

This handbook will assist in case management of WCP claims through automated analysis of cases to prioritize WCP cases with the highest potential for removal from the rolls or potential fraud. Once the WCP cases have been prioritized, individual case reviews are needed to identify actions needed to remove the claimants from the rolls and to identify potential fraud. Specific instructions, including worksheets to aid in review and analysis, for case reviews are presented in this section. Additionally, this section discusses the documents that will be reviewed and indicators of fraud.

Procedures for Implementing a WCP Case Management and Review Process

Based on our review efforts in VISN 2 and 22, we believe that the best way to organize and implement this process is as follows:

- Appoint a VISN WCP Coordinator to oversee the implementation of the OIG protocol package and case reviews at individual VISN facilities.
- Publicize the review and request information on potential fraud (e.g., claimants working other jobs). This could be accomplished by establishing toll free (hotline) telephone numbers or specific contact points at facilities.
- Coordinate review efforts with the OWCP District Office to establish procedures for requesting opinions or interpretations of information in case files and to expedite requests for additional information such as up-dated income/earning forms.
- Dedicate some positions that WCP Specialists can modify to make job offers to WCP claimants who are able to work.
- Review the WCP cases identified in the initial targeted group and then review all out-of-state claimants. Review additional cases identified through other sources such as hotline or facility WCP Specialist.
- Review VA's WC-MIS to identify current case status and other information. If there is not a case file, then one needs to be established using print screens from the WC-MIS. Additional documents can be obtained from review of OWCP case file.
- If there is evidence that the WCP claimant is deceased, a review should still be conducted to ensure that benefits were appropriately adjusted, dependents are still entitled to WCP benefits, and no erroneous medical bills have been paid on the claim.
- Review VA and OWCP case files to identify actions needed to remove claimants from the rolls and to identify indicators of potential fraud.
- Ensure that copies of specific forms or documentation that support case review conclusions or fraud referrals are attached to the handbook case review worksheets (see pages 15 - 23).
- Perform an analysis of results to determine impact of review efforts in reducing WCP costs and to refer suspected fraudulent claims to the OIG Office of Investigations using procedures discussed on pages 25 - 26.

- Lifetime benefits are calculated by multiplying total CBY compensation payments by the number of years until the claimant reaches age 70. For example, a 50-year old claimant who received $30,000 in compensation payments in CBY 1997 and classified as "removal from rolls" would have a projected lifetime savings of $600,000 [{70 – 50 = 20} X $30,000 = $600,000].

Selected Case Documents Should be Reviewed to Identify Actions Needed for Removal of Claimants From WCP Rolls and to Identify Indicators of Potential Program Fraud

Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation (OWCP form CA-1) - This is the basic claim form for traumatic injury. The information contained on this form is used throughout the processing of a claim. Very important information on this form can be extracted and used to verify automated data. Information from this form includes:

- Employee Name
- Occupation
- Social Security Number
- Date of Birth
- Date of Injury
- Description of Injury
- Employee Signature
- Witness Statement
- Official Supervisor Report
- Name and Address of Physician

Notice of Occupational Disease and Claim for Compensation (OWCP form CA-2) - Occupational diseases and injuries are reported on form CA-2 and include similar information to form CA-1. Claims for compensation relating to an "occupational disease" are more complicated than for a traumatic injury. This is due principally to the fact that the disease or illness on which the claim is based is not always easily connected to the employee's occupation and/or work environment. In fact, the disease or illness may occur frequently within the general population, and factors unrelated to the job may equally or more frequently be identified as the cause.

Notice of Employee's Recurrence of Disability and Claim for Compensation (OWCP form CA-2a) - A recurrence is defined as a spontaneous return or increase of disability due to a previous injury or occupational disease without intervening cause. A recurrence differs from a new injury in that with a recurrence, no event other than the previous injury accounts for the disability.

Report of Termination of Disability and/or Payment (OWCP form CA-3) - Sometimes, return to duty information is shown on form CA-1 when the injury is first reported. If not, the agency may complete form CA-3 and submit it to OWCP when entitlement to COP ends, the employee returns to work, or the disability ceases.

Claim for Compensation on Account of Traumatic Injury or Occupational Disease (OWCP form CA-7) - This form is used to claim compensation for wages lost due to a work-related traumatic injury after the expiration of COP or for an occupational disease.

Claim for Continuing Compensation on Account of Disability (OWCP form CA-8) - This form is a claim for continuing compensation for both traumatic injury and occupational disease, and is submitted 10 days before the period claimed on form CA-7 (or a previously submitted CA-8) expires. CA-8 forms should be submitted until the employee is notified by OWCP that no additional CA-8's are needed, or until the employee returns to duty.

Medical Exams - A medical assessment should be regularly updated, at maximum every 3 years. An independent medical exam could have been requested to resolve discrepancies in medical opinions. Also, second opinion exams may be requested to resolve issues. The medical report could indicate if the claimant is working or engaging in a business.

Earning/Income Certification (OWCP form 1032) – This form is sent to the claimants to determine their qualifications for continued benefits or whether an adjustment is necessary. Claimants are instructed to report all income. Non-reporting of income will be, in most cases, the key document in successful prosecution of false claims (fraud). Also, the claimant may report working on this form or engaging in a business and earning income. If the claimant is receiving income, this should be reported to OWCP and OIG Office of Investigations. Additionally, if a claimant reports a settlement, related to the injury, this should have been recouped to offset workers' compensation benefits.

Other forms might also contain pertinent information and should be reviewed. A complete listing of the basic forms, including some of the ones discussed above, and when to use them can be found in DOL's Publication CA-810 "A Handbook for Employing Agency Personnel" which can be obtain from OWCP. Additionally, external forms and letters such as report of earnings from the Social Security Administration are useful in case assessment and identification of fraud.

General Indicators of Program Fraud

WCP abuse is any practice that uses the WCP in a way that is contrary to either the intended purpose of the program or the law. Fraud occurs when someone knowingly and with intent to defraud, presents or causes to be presented, any written statement that is materially false and misleading to obtain some benefit or advantage, or to cause some benefit that is due to be denied. Workers' compensation is an essential employee benefit, entitling those persons who are injured on the job to compensation while they recover; however, program cost could be reduced through elimination of fraudulent WCP claims. Program fraud indicators are discussed below:

- Employee has a history of frequent accidents or injuries with no witnesses. Employees could simply fake or prolong injuries to collect payments. Through query of the WC-MIS using an employee's social security number, employees with a history of WCP claims and current multiple claims can be identified.

- Evidence in WCP file indicates that witnesses disagree with the claimant's version. Specifically look to see if the witness statement contradicts the employee's account of the accident. Form CA-1, item 16 will include witness statements concerning an accident.
- Claimant has a marketable occupation (doctor, nurse, computer technician, or other hi-tech job). If claimants have a marketable occupation, the claimants could be working and not reporting income to OWCP.
- Any information (in the case file) that indicates the claimant is working or engaging in business activities. Sometimes the case file will have unsolicited information such as: correspondence, news articles, pictures, or other evidence that indicates the claimant could be working.
- The claimant reported working and income on form CA-7, CA-8, or 1032. Claimant may have reported working to OWCP, but benefits were not terminated or reduced because of an administrative error. However, if the claimant reported working intermittently and is found to be working continuously, this could be considered potential fraud.
- The independent medical exam does not support claimant's injury and contradicts with other medical reports. Also, if the claimant is receiving excessive medical treatment from a provider, the claimant could be in collusion with the doctor. The doctor could be processing fraudulent claims for unnecessary medical treatments, then splitting the payments for these fictitious treatments with the "injured " employee.
- The case file includes a request (from the claimant or third party) for income verification to purchase a home or other major item could indicate that the claimant has not reported income to OWCP.

OIG Designed Worksheets That Can be Used to Aid in Case Reviews and Identification of Potential Fraud

The case analysis and review worksheets provided with this handbook were designed to provide a structured methodology for classifying WCP cases. OIG Case Review Worksheet 1 (pages 15 - 20) is a two part worksheet that should be used for review of VA's case file and to aid in review of OWCP's case file. The first part identifies primary documents that should be reviewed and a series of questions to answer. This worksheet also provides a methodology for documenting what forms need to be copied from the OWCP case file. The second part provides a methodology for preliminary classification of the WCP case based on review of VA's case file. This worksheet should be used through out the case review to record and document the review process and used in conjunction with the OWCP case file review to ensure that appropriate documents are reviewed and copied. OIG Case Review Worksheet 2 (page 21) should be used to record documents copied from the OWCP case file and to document any request for OWCP actions. A copy of this form should be filed in the OWCP case file for future references. OIG Case Review Worksheet 3 (page 23) provides a methodology on final classification of a WCP case and it can be used for referral of suspected program fraud. Examples of our case categories and classification are presented on the following page.

- When reviewing cases and answering questions it is determined the claimant has work capabilities (e.g., medical report states claimant could work 6 hours a day with restrictions). Offer the claimant a job based on limitations. If there is no current medical information, then request the information from the treating physician. Ask for specific limitations and residual effects of work-related injury. If properly coordinated with OWCP, the facility will be able to make the request and prepare a job description for OWCP approval. This would be classified as "removal from rolls" for the purpose of this handbook.
- It is possible that through review of VA and OWCP case files evidence to support residual effects of work-related injury can not be found or medical information that concludes there are no residual effects is found. It is also possible that OWCP staff overlooked this information. A request for determination of continued payment of compensation could be made using OIG Case Review Worksheet 2 (page 21). This case would be classified as "case management" for the purpose of this handbook.
- Review of medical reports shows indicators that the claimant is working part time or full time yet no earnings are reported on OWCP form 1032 for period covered in medical reports. Copies of medical report and OWCP 1032 would be made and case referred to OIG, using OIG Case Review Worksheet 3 (page 23), following procedures outlined on pages 25 - 26. This case would be classified as "fraud referral" for the purpose of this handbook.
- A claimant from a facility in VISN 2 (upstate New York) is living in Florida. Through review of OWCP records, it has been determined that currently the file is located at the OWCP District Office in Jacksonville, FL, and follow up with this office is needed to obtain current medical and income information. This case would be classified as "out-of-state" for the purpose of this handbook. Additionally, it may be possible that a VHA facility in Florida could offer the claimant a job which would mean the case would be classified as "removal from rolls" for the purpose of this handbook.
- Review of all the documentation in VA and OWCP case files shows no indicators of potential fraud and continued disability from work related injury. This case would be classified as "no actions needed" for the purpose of this handbook.
- Review of WC-MIS or VA's WCP cases file shows that compensation payments have stopped because the claimant has returned to work or elected disability retirement. This case would be classified as "no actions needed" for the purpose of this handbook.

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 1 of 6)

PART I

WCP Case Identifying Information:

Claimant's Name: _____ SSN: _____ DOB: _____

OWCP Case No.: _____ Date of Injury: _____

Facility (Name/No.): _____

Analysis and Review:

This section is designed to aid in the analysis and review of a WCP case by identifying primary documents that need to be reviewed during case analysis. If the documents are not in VA's case file then a copy should be obtained from the OWCP case file. An additional column is provided to record notes to refer to when reviewing the OWCP case file. Although all documents in the case file should be reviewed, these primary documents are ones where indicators of potential fraud and information as to claimant's ability to work are found.

Documentation	Attached or in VA's case file	Needed	OWCP District For Further Development
CA-1-Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay (COP). This is the basic claim form for traumatic injury.			
CA-2 – Notice of Occupational Disease and Claim for Compensation. Claims for compensation relating to an "occupational disease" are more complicated than for traumatic injuries.			
CA-2a – Notice of Employee's Recurrence of Disability and Claim for Compensation. This form is used to report a recurrence of disability.			

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 2 of 6)

Analysis and Review: (continued)

Documentation	Attached or in VA's case file	Needed	OWCP District For Further Development
CA-7- Claim for Compensation on Account of Traumatic Injury or Occupational Disease. This form is used to claim compensation for wage loss due to a work-related traumatic injury after the expiration of COP or for an occupational disease.			
CA-8- Claim for Continuing Compensation on Account of Disability. This form is a claim for continuing compensation for both traumatic injury and occupational disease.			
Current Medical Report- A medical assessment should be updated at least every 3 years.			
Independent Medical Exam. - To resolve discrepancies in medical opinions, OWCP will request an independent medical exam. Also, second opinion exams may be requested.			
OWCP form 1032 –Income Certification - This form is sent to the claimant periodically to request income information and verification of work status.			

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 3 of 6)

Analysis and Review: (continued)

These questions are designed to aid in analysis and review of WCP cases by highlighting areas where potential fraud indicators are found and should be answered after the above documents have been obtained. Additionally, these questions will aid in identifying and prioritizing actions needed to remove claimants from WCP rolls (i.e., identifying work restrictions, offering claimant work, etc.).

QUESTIONS (Refer to CA-1, CA-2, CA-7, CA-8 or other pertinent documents)	F[1]	YES	NO	Comments
1. Did the alleged injury occur immediately following disciplinary action, notice of probation, demotion, or being passed over for promotion? (**Source:** correspondence from HRM and personnel files.)				
2. Claimant has a history of workers' compensation claims. (**Source:** WCP claim file or WC-MIS.)				
3. Does the claimant have any work capacity? (**Source:** medical reports, 1032s, etc.)				
4. The alleged injury relates to a pre-existing injury or health problem. (**Source:** medical reports or employee health files.)				
5. Claimant uses a post office box for address. (**Source:** CA-1 or CA-2.)				
6. Claimant's version of the accident has inconsistencies. (**Source:** CA-1 or CA-2.)				
7. There are no witnesses to the accident or witnesses report of the accident conflict with the applicant's version or with one another. (**Source:** CA-1 or CA-2.)				
8. Facts regarding accident are related differently in various medical reports, statement, and supervisor's first report of injury. (**Source:** CA-1 and medical reports.)				
9. Medical treatment is inconsistent with injuries originally alleged by employee. (**Source:** CA-1 and medical reports.)				

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 4 of 6)

Analysis and Review: (continued)

QUESTIONS (Refer to CA-1, CA-2, CA-7, CA-8 or other pertinent documents)	F [1]	YES	NO	Comments
10. Claimant undergoes excessive treatment for soft tissue injuries. (Source: medical reports.)				
11. The injury was not reported in a timely manner. (Source: CA-1 or CA-2.)				
12. Does the claimant have a marketable skill? (Source: CA-1 or CA-2.)				
13. Did the claimant report any income? (Source: CA-7, CA-8, or CA-1032.)				
14. Has the claimant relocated since being on WCP? (Source: Correspondence or WC-MIS.)				

[1] Check here if there are indicators of potential fraud.

Additional documents and comments.

Documentation/Comments	Attached or in VA's case file	Needed	OWCP District For Further Development

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 5 of 6)

PART II

Preliminary Classification:

This part of the worksheet should be used throughout the case review to record and document the review process. Each section is provided to assist with different parts of the review. For example, the first section below would be used to record and document information needed for the DOL OWCP case file review. The section on fraud would be used to record and document indicators of fraud (e.g., medical report discusses work that is not reported on OWCP form 1032). Copies of all supporting documents such as OWCP form 1032, CA-1, or medical reports that contain pertinent information to reaching conclusions should be attached to this form.

Notes for DOL OWCP Review:

_____

_____

_____

_____

_____

_____

_____

_____

Indicators of Fraud:

Refer To OIG	
YES	NO

_____

_____

_____

_____

_____

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_____

_____

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 6 of 6)

Case Management Issues:

_____

_____

_____

_____

_____

_____

_____

_____

Conclusions:

Use this section to record conclusions reached based on review and analysis. The case should be categorized into one of the categories listed below. Also, list any additional actions that are needed. Additional notes and documents concerning conclusions and categorization should be attached.

_____

_____

_____

_____

_____

Removal From WCP Rolls.	Case Management - List Specific Actions Needed.	Out-of-State.	No Actions Needed for this Review - Continue to Monitor.

Additional Actions Needed:

_____

_____

_____

_____

Prepared By:_____Date:_____Phone No:_____

Reviewed By:_____Date:_____Phone No:_____

OIG CASE REVIEW WORKSHEET 2

OWCP District Office Case Review Worksheet (page 1 of 1)

WCP Case Identifying Information:

Claimant's Name: _____ SSN: _____ DOB: _____

OWCP Case No.: _____ Date of Injury: _____

Facility (Name/No.): _____

Documents copied from DOL-OWCP case file:

During the Department of Veterans Affairs site visit on _____ the following documents from the claimant's OWCP case file were copied. **(Insert date)**

_____

_____

_____

_____

_____

_____

_____

_____

Additional Actions Needed:

Based on this review we are requesting that the OWCP District Office initiate the following actions or respond to the following questions.

_____

_____

_____

_____

_____

_____

_____

_____

Prepared By:_____Date:_____Phone No.:_____

(Print Name) _____ VAMC/VISN _____

OIG CASE REVIEW WORKSHEET 3

Final Classification and Case Review Summary Worksheet (page 1 of 1)

WCP Case Identifying Information:

Claimant's Name: _____ SSN: _____ DOB: _____

OWCP Case No.: _____ Date of Injury: _____

Facility (Name/No.): _____

Summary Case Review:

Briefly summarize results of case file reviews (VA and OWCP). Include discussion of information/documents used to reach conclusions, including indicators of fraud.

_____

_____

_____

_____

_____

_____

_____

_____

Final Category:

Removal From WCP Rolls.	Refer To OIG YES NO	Case Management – List Specific Actions Needed.	No Additional Actions Needed for this Review - Continue to Monitor.

Out-of-state.

Additional Actions Needed:

_____

_____

_____

_____

_____

_____

_____

Prepared By:_____ Date:_____ Phone No.:_____

Reviewed By:_____ Date:_____ Phone No.:_____

PROCEDURES FOR REFERRING SUSPECTED FRAUD TO THE OIG

Workers' compensation is an essential employee benefit, entitling those persons who are injured on the job to compensation while they recover. However, OIG efforts in the WCP area have shown that a small percentage of employees fraudulently submit WCP claims or, after establishment of a WCP claim, commit program fraud. WCP fraud occurs when someone knowingly and with intent to defraud, presents or causes to be presented, any written statement that is materially false and misleading to obtain some benefit or advantage. Our audit of WCP costs showed that an estimated $9 million of CBY 1996 WCP costs could potentially be the result of program fraud. The instructions and forms contained in this handbook are geared toward identifying indicators of potential WCP fraud. If potential WCP fraud is identified, the WCP Specialist should contact the OIG Office of Investigations in Washington, DC or the nearest OIG Field Office of Investigation to obtain guidance on what evidence should be collected and what needs to be included in the case referral package.

Use of WCP Case Profiles Can Aid in Identifying Indicators of Potential Fraud

Although there are no standard case characteristics that always indicate WCP fraud, the following WCP case characteristics do indicate that additional scrutiny is needed in case review to identify potential program fraud:

- The injury occurs prior to or just after a job termination, completion of temporary work assignment, or end of seasonal work.
- Employee reports an alleged injury immediately following disciplinary action, notice of probation, demotion, or being passed over for promotion.
- Employee has a history of personal injury, workers' compensation claims, and/or of reporting subjective injuries.
- There are no witnesses to the accident or witness's version of the accident conflict with the employee's version or with one another.
- Employee fails to report the injury in a timely manner or employee's version of the accident has inconsistencies.
- The alleged injury relates to a preexisting injury or health problem.
- Employee uses addresses of friends, family, or post office boxes; has no known permanent address and moves frequently.
- Employee avoids use of U.S. mail; hand-delivers documents.
- Employee frequently changes physicians, or does so after being released to return to work.
- Employee undergoes excessive treatment for soft tissue injuries.
- Medical treatment is inconsistent with injuries originally alleged by employee. The nature of the alleged injury conflicts with claim file documentation.

- The claimant cancels or fails to keep appointments, or refuses diagnostic procedures to confirm injury.
- Diagnosis is inconsistent with the treatment rendered. The alleged injuries are all subjective.
- Medical bills are copies of originals, without dates or service or description of office visits. Address of medical provider is only a Post Office Box.
- Medical facility uses multiple names or changes name often or the medical reports appear to be "boilerplate" reports.

If Suspected Fraud is Identified, Contact the OIG Office of Investigations for Guidance in Developing the Case and Additional Instructions

If potential fraud is suspected, contact the local OIG Field Office of Investigations or contact the Program Director, Benefits Fraud (51B) at (202) 565-8595 for guidance how to develop the indicators of fraud and guidance on what information needs to be included in the referral package. The following is a list of OIG Field Offices of Investigations:

Northeast Field Office of Investigations (51NY)
Special Agent-In-Charge
245 West Houston Street
3rd Floor
New York, NY 10014
Telephone (212) 807-3444 or
(212) 807-3443

Southeast Field Office of Investigations (51SP)
Special Agent-In-Charge
P.O. Box 446
Bay Pines, FL 33744
Telephone (727) 398-9559 or
(727) 398-6661 Ext. 4820

Western Field Office of Investigations (51LA)
Special Agent-In-Charge
P.O. Box 241516
Los Angeles, CA 90024
Telephone (310) 268-4269 or
(310) 478-3711 Ext. 49648

Central Field Office of Investigations (51CH)
Special Agent-In-Charge
Lock Box 66319
AMF O'Hare, IL 60666
Telephone (708) 216-2676 or
(708) 216-2358

REFERENCE MATERIAL

Laws and Regulations

The Federal Employees' Compensation Act (Public Law 103-3 Enacted February 5, 1993) - Is the law that established the current rules and regulations over the Federal WCP. This document can be obtained from the Department of Labor's (DOL) Internet site (http://www.dol.gov/dol/esa/public/regs/compliance/owcp/fecacont.htm).

Code of Federal Regulations Title 20, Parts 1-25 (Revised April 1, 1988) - Provides the statutory provisions for workers' compensation benefits to civilian officers and employees of all branches of the United States Government. (This Publication can be obtained from DOL upon request or from the DOL Internet site listed above.)

Department of Labor

DOL's OWCP administers the Federal Employees' Compensation program, one of three major disability compensation programs that provide wage replacement, medical treatment, vocational rehabilitation and other benefits to employees and their dependents for certain work-related injury or occupational disease. This includes adequate and timely benefits as well as assistance in returning to work when necessary. OWCP's customers include both injured workers and the employing agencies.

OWCP provides several training courses, which are free, to aid the employing agency in program administration. Additionally, OWCP will provide handbooks and other information upon request. We used **Injury Compensation for Federal Employees - A Handbook for Employing Agency Personnel** (DOL Publication CA-810 Revised February 1994) as a guide for developing and conducting our national audit. This handbook gives a program overview as well as guidelines on how to administer the WCP. Information on the Federal WCP as well as links to some state WCP Internet sites is available through DOL-OWCP's Internet site at (http://www.dol.gov/dol/esa/owcp_org.htm).

DOL also maintains an automated database on WCP cases that can be accessed through the Internet. The AQS is a secure Internet site that provides access to information on injury claims filed with the Division of Federal Employees' Compensation. Only an authorized user can obtain access to this site. Authorization can be obtained through VA's WCP Program Manager.

Other

Several books and publications are available to assist WCP Coordinators and Specialists with understanding the WCP and medical report terminology.

Federal Sector Workers' Compensation published by Dewey Publications, Inc. deals exclusively with WCP claims involving federal employees. The book is a compilation and interpretation of the rules and regulations governing the Federal WCP, including case law of the

Employees' Compensation Appeals Board. More information about this book and its cost can be obtained by calling Dewey Publications, Inc. at (703) 524-1355.

Generic ICD-9-CM Volumes 1, 2, and 3 (Hospital Version) published by Channel Publishing, Ltd. contains International Classification of Diseases (ICD-9) codes which can be used to ensure that medical treatment is related to the accepted work-related injury. Additionally, this publication can be used to ensure proper coding is maintained in automated systems. More information about this publication can be obtained from Channel Publishing, Ltd. at 1-800-248-2882.

Control of Communicable Diseases Manual published by the American Public Health Association discusses communicable diseases, causes, prevention, and control problems as well as effects and characteristic of the diseases. More information about this publication can be obtained from the American Public Health Association in Washington, DC.

Department of
Veterans Affairs

Office of Inspector General

Protocol Package For Veterans Integrated Service Network (VISN) Workers' Compensation Program (WCP) Case Management and Fraud Detection

This protocol package was developed to provide a methodology for enhanced VISN level review and oversight of WCP claims. The package includes an automated analysis of WCP claims that prioritizes cases for review, discusses best practices and other tools that can be used to enhance case management, and provides review instructions and worksheets to aid in case review efforts.

Report No. 9D2-G01-002
Date: April 14, 1999

Office of Inspector General
Washington, DC 20420

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FOREWORD

The Office of Inspector General (OIG) is committed to reducing fraud, waste, and abuse in the Department of Veterans Affairs (VA) Workers' Compensation Program (WCP). It is my pleasure to provide the Veterans Health Administration (VHA) with this protocol package for reviewing WCP claims. This package was developed to provide the Veterans Integrated Service Networks (VISN) with an effective methodology to enhance review and oversight of WCP claims and reduce annual VHA costs that totaled about $133 million for Charge Back Year 1998.

During the last year, the Office of Inspector General (OIG) has been engaged in a review of VA's WCP. During this effort we have applied a three step approach: a comprehensive national audit; a joint investigative/audit fraud detection effort; and the development of this protocol package. The national audit project focused on the effectiveness of VA's case management associated with WCP claims. The Report of Audit of VA's Workers' Compensation Program Cost was issued on July 1, 1998. The report found that while VA has made improvements in the WCP area, the Department continues to be at risk for program fraud, abuse, and unnecessary costs. The report identified the opportunity for VA to reduce its future WCP costs by about $247 million with enhanced case management. (A copy of the report is available on the Office of Audit web site at http://www.va.gov/oig/52/reports/mainlist.htm List of Available Reports.)

A joint OIG investigative/audit fraud detection effort continues with work that has focused on cases in VISN 2 and 22. This effort resulted in a very positive and productive teaming effort between the OIG and these VISNs that identified opportunities for reduced WCP costs and program fraud. Additionally, VISN staff played a key role in the development of this protocol package. The results of this effort showed that VA's risk for fraud, abuse, and unnecessary WCP costs can be reduced with effective review and oversight of WCP claims. The significant results of the VISN 2 and 22 review effort is presented in Appendix IV.

Based on work that was completed during the audit and at VISN 2 and 22, this protocol package was developed to provide a methodology for enhanced VISN level review and oversight of WCP claims. Key aspects of this review methodology include:

- *Identification of best practices and other tools that can be used to enhance case management and reduce program costs. (See details in Appendix II.)*
- *Automated case targeting package for each VISN that prioritizes cases for review that have the highest opportunity for potential removal from the rolls and identification of fraudulent claims. (See details in Appendix III.)*
- *Case review instructions and worksheets to organize the start of review efforts. (See details in Appendix VI.)*

In addition to this protocol package we also developed a handbook to aid individual WCP Coordinators and Specialists with day to day case management and fraud detection. Although the handbook was developed to enhance review of VHA WCP claims, because they account for about 95 percent of the Department's WCP cost, the same methodology can be applied to all Department elements (e.g., Veterans Benefits Administration, National Cemetery Administration, etc.). The methodology presented in this handbook was tested in VISN 2 and 22 with very successful results that are discussed in this protocol package.

Use of this protocol package and handbook should help VHA better identify potential fraud, waste, and abuse, and reduce WCP costs. Also, this package can be used as a good starting point for completing the Department-wide review of open/active WCP cases recommended in our July 1998 audit report. If you need any additional information or assistance in using this package, please contact Stephen Gaskell, Director, Central Office Operations Division at 202-565-4098 or James Farmer, Project Manager at 202-565-8457. If you need additional information or assistance on referring suspected fraudulent claims, please contact James Gaughran, Program Director, Benefits Fraud at 202-565-8595.

RICHARD J. GRIFFIN
Inspector General

PROTOCOL PACKAGE METHODOLOGY

Automated Analysis of Workers' Compensation Claims Can Significantly Aid in Identifying Fraud and Reducing Program Cost

While VA has made improvements in the Workers' Compensation Program (WCP) area, recent Office of Inspector General (OIG) audits and investigations have found that the Department is still at risk for program fraud, abuse, and unnecessary costs. As a result, the OIG has developed this protocol package to aid in reducing program costs and identifying fraudulent WCP claims. This protocol package contains an automated analysis of WCP claims as well as instructions on how to review WCP cases for identifying potential fraud. The automated analysis of WCP claims provides a basis to prioritize cases for review and identify cases most likely to be fraudulent based on indicators developed during recent OIG initiatives in this program area. The protocol package was developed to enhance review of Veterans Health Administration (VHA) WCP claims because they account for about 95 percent of the Department's WCP cost. However, the same methodology can be applied to all Department elements (e.g., Veterans Benefits Administration, National Cemetery Administration, Veterans Canteen Service, etc.). The methodology presented in this protocol package was tested in the Veterans Integrated Service Networks (VISN) 2 and 22, with very successful results. The VISN 2 and 22 review results showed that VA's risk for fraud, abuse, and unnecessary WCP costs can be reduced with effective review and oversight of WCP claims.

Recent OIG Audits and Investigations of VA's WCP Show That VA is at Risk for Program Fraud, Abuse, and Unnecessary Costs

Two prior OIG audits in 1985 and 1992 found that a lack of effectively returning injured employees back to work and monitoring of long-term cases resulted in higher WCP costs. WCP cost had reached $116 million by 1992 or $18 million higher than the 1985 OIG projection. Additionally, a 1995 joint OIG Office of Investigations and VHA effort in the New York City area resulted in 14 indictments and 13 convictions for fraudulent WCP claims. Fines and restitution ordered totaled over $500,000 and lifetime savings[1] from removal of the claimants from the WCP rolls will be about $4.3 million. As a result of these efforts, the OIG has engaged in reviewing this program area by applying a three step approach: (1) a comprehensive national audit, (2) a joint investigative/audit fraud detection effort, and (3) the development of this protocol package.

The OIG national audit of WCP cost completed in 1998 found that improvements had been made and WCP costs had decreased, but there was still a lack of effective case management at some facilities. As a result, the Department was at risk for fraud, abuse, and unnecessary program costs. Based on a national statistical sample of active cases in Charge Back Year (CBY) 1996, we estimated that $17.5 million in WCP compensation costs could have been potentially avoided by returning employees back to work and/or removing employees from the WCP rolls. We also

[1] Lifetime saving are calculated by multiplying the number of years until the claimant reaches age 70 by the compensation cost received in the applicable Charge Back Year and usually does not include medical expenses or costs.

estimated a future lifetime cost avoidance of about $247 million in reduced WCP compensation benefits over the next 18 years. Additionally, we estimated that in CBY 1996 there were 567 fraudulent WCP cases totaling about $9 million based on our national sample results.

OIG Experience Shows That Potential WCP Fraud Can Be Profiled

Our audit and investigative experience has shown that potential WCP fraud can be profiled using selected case attributes or "red flags". Identification of these red flags range from analysis of automated data to detail discussions with appropriate facility staff and/or review of WCP claim and personnel files. Examples of red flags that can be identified through analysis of automated data are:

- High compensation costs with little or no medical costs.
- Claimant lives out-of-state or has a post office box address.
- Old WCP case.

Examples of red flags that can be initially identified through analysis of automated data but are also dependent on local economies or other factors are:

- Claimant has marketable job skills.
- Soft tissue injuries such as lower back injuries.
- History of WCP claims.

Examples of red flags that can only be identified by review of WCP claim and personnel files and/or discussions with appropriate facility staff are:

- Employees that are about to be terminated or have an adverse personal action taken.
- Temporary or seasonal work about to end.
- Tips from facility employees or other sources such as local newspapers.

(A detail discussion of the automated analysis of claims is presented in Appendix III on pages 21 – 25. A detail discussion on red flags is presented in Appendix VI on pages 47 - 48.)

Methodology Used in the Development of This Protocol Package Was Successfully Tested in VISN 2 and 22

Using the red flags identified by our audit and investigative efforts, we developed methodologies for identifying questionable and potential fraudulent WCP claims. Through initial analysis of CBY 1996 WCP data and discussions with VHA's Chief Network Officer, VISN 22 was selected for testing and refinement of our protocol package review methodology. At the request of the Network Officer, we also reviewed WCP claims in VISN 2 using CBY 1997 WCP data. The objectives of these initiatives were to:

- Assist VISN 2 and 22 in reducing WCP costs through identifying questionable and potential fraudulent WCP claims.

- Provide initial leadership, training, and guidance to VISN staff on effective case management and gather additional information for development of a protocol package for use by all VISNs.

Our initial case selection criteria was made though automated analysis of WCP claims that received compensation payments in a given CBY using the red flag of high compensation with little or no medical cost. Additional automated analysis was completed and used to aid in case reviews. Cases were reviewed and analyzed to identify potential fraud and to determine and/or prioritize what actions needed to be taken to remove the claimants from the WCP rolls. Our efforts included:

- Site visits to Department of Labor's (DOL) Office of Workers' Compensation Program (OWCP) District Offices in San Francisco, New York, and Jacksonville.
- Discussions with the DOL Office of Inspector General Office of Investigations.
- Discussions with the California State Insurance Fraud Division.

We eliminated all the cases where the claimant was over 65 years old or the WCP claim was less than 4 years old based on the date of injury. From the remaining records, we selected only those WCP cases with compensation payments over $5,000 and medical payments less than $1,500 in the CBY being reviewed. This resulted in identifying the WCP cases for our initial review. Although all WCP cases should be reviewed, the above methodology can be used to assist in prioritizing which cases to review first.

We reviewed both VA and OWCP case files using the procedures and worksheets contained in Appendix VI on pages 45 - 59. We classified the WCP cases into categories based on information obtained from our case reviews. Applying the methodologies contained in this protocol package will result in WCP claims changing category (e.g., case management issues resulted in removing claimant from WCP rolls). Therefore, these categories can be used to track the progress of actions taken on WCP cases. A brief discussion and examples of the categories follows:

- **Removal from WCP rolls** – Actions have been or could have been initiated that would result in removing a claimant from the WCP rolls. For example, when reviewing the case it is determined the claimant has work capabilities (e.g., medical report states claimant could work 6 hours a day with restrictions). Offer the claimant a job based on limitations. If there is no current medical information, then request the information from the treating physician. Ask for specific limitations and residual effects of work-related injury. If properly coordinated with OWCP, the facility will be able to make the request and prepare job description for OWCP approval. This would be classified as "removal from rolls" for the purpose of this protocol package.
- **Referrals to OIG Office of Investigations** – Review of medical reports shows indicators that the claimant is working part time or full time, yet no earnings are reported on OWCP form 1032 for the period covered in medical reports. Copies of the medical reports and the 1032 would be made and the case referred to OIG, using OIG Case Review Worksheet 3 (page 59), following procedures outlined in Appendix VII on pages 61 - 62. This case would be classified as "fraud referral" for the purpose of this protocol package.

- **Case management issues** – Review of the case finds that there is not enough information or that the information is not current so additional information is needed before a decision is made on actions to take. It is also possible that through review of VA and OWCP case files, evidence to support residual effects of work related injury can not be found or medical information that concludes there is no residual effects is found. OWCP staff could have overlooked this information. These cases would be classified as "case management" for the purpose of this protocol package.
- **Out-of-state** – A claimant from a facility in VISN 2 (upstate New York) is living in Florida. Through review of OWCP records, it has been determined that currently the file is located at the OWCP District Office in Jacksonville, FL. Follow up with this office is needed to obtain current medical and income information. This case would be classified as "out-of-state" for the purpose of this protocol package. Additionally, it may be possible that a VHA facility in Florida could offer the claimant a job which would mean the case would be classified as "removal from rolls" for the purpose of this protocol package.
- **No additional action needed** – Review of all the documentation in VA and OWCP case files shows no indicators of potential fraud and continued disability from work related injury or review of WC-MIS shows that compensation payments have stopped because the claimant has returned to work or elected disability retirement. These cases would be classified as "no actions needed" for the purpose of this protocol package.

A current summary of the VISN 2 and 22 case management review results follows. These reviews have identified a number of potential fraud cases and cases that have or will be removed from the WCP rolls. Overall, these reviews have identified potential lifetime benefit reductions in compensation payments totaling about $45 million.

Summary of WCP Case Reviews in VISN 2 and 22

Removal from WCP Rolls		No. of Cases	Annual Compensation	Lifetime Benefit Reductions
VISN 2	Actual Removals	2	48,670	496,954
	Potential Removals	31	489,665	7,668,811
	VISN 2 Total	**33**	**538,335**	**8,165,765**
VISN 22	Actual Removals	14	299,888	3,656,150
	Potential Removals	14	237,385	3,073,710
	VISN 22 Total	**28**	**537,273**	**6,728,860**
Total Removal from Rolls		**61**	**$1,075,608**	**$14,894,625**
Referrals to OIG Office of Investigations[2]				
VISN 2		11	175,176	3,767,900
VISN 22		10	159,894	2,695,849
Total Referrals of Potential Fraud		**21**	**$335,070**	**$6,463,749**

[2] There are three additional cases in VISN 22, included in removal from WCP rolls category, that were also referred to the OIG Office of Investigations.

Summary of WCP Case Reviews in VISN 2 and 22 (Continued)

Case Management Issues	No. of Cases	Annual Compensation	Lifetime Benefit Reductions
VISN 2	46	775,454	9,813,423
VISN 22	50	860,711	10,469,660
Total Case Management Issues	**96**	**$1,636,165**	**$20,283,083**
Out-of-State[3]			
VISN 2	8	184,063	1,495,288
VISN 22	9	198,618	2,284,287
Total Out-of-State	**17**	**$382,681**	**$3,779,575**
No Additional Action needed of this review			
VISN 2	25	366,477	N/A
VISN 22	8	121,785	N/A
Total No Additional Actions	**33**	**N/A**	**N/A**
Totals for OIG Project			
VISN 2	123	1,673,028	23,242,376
VISN 22	105	1,756,496	22,178,656
Grand Totals for OIG Project[4]	**228**	**$3,429,524**	**$45,421,032**

(A detail discussion of VISN 2 and 22 case review results is presented in Appendix IV on pages 27 - 31. A detail discussion of case review instructions and worksheets used is presented in Appendix VI on pages 45 - 59.)

OIG Developed This Protocol Package to Aid VHA With WCP Case Management and in Identifying Fraudulent WCP Claims

The *Report of Audit of VA's Workers' Compensation Program Cost* issued on July 1, 1998 recommended a "one time review of all open/active WCP cases to prioritize and identify those cases where additional case management efforts could return employees back to work or otherwise remove them from the WCP rolls." This protocol package was developed to assist the Department in implementing this recommendation. Additionally, this protocol package will aid in targeting potential fraudulent WCP claims. The protocol package includes:

- Automated analysis of WCP claims that will prioritize cases for review that have the highest opportunity for potential removal of employees from the rolls and identification of fraudulent claims.

[3] The were 36 out-of-state cases (19 in VISN 2 and 17 in VISN 22) that are included in other categories counts and totals. For example, contact has been made with the OWCP District Office that has jurisdiction over the claim and additional information has been requested or received.

[4] "No. of Cases" includes 33 cases with no additional actions needed for this review; however, the annual benefits for these case are not included in the totals.

- Review instructions and worksheets that will aid in identifying fraudulent WCP claims.
- Discussion of fraud and procedures for referring suspected fraudulent claims to the OIG.
- Discussion of best practices and other tools that can be used to aid in reducing WCP costs.

Automated Analysis of 6,513 WCP Claims That Received Compensation Payments in CBY 1997 Identified 1,705 Cases With the Highest Opportunity for Reduction in WCP Costs and Identification of Program Fraud

To achieve and maintain effective WCP case management, all active/open WCP cases need to be reviewed over time. However, given the significant number of VHA claims that need to be reviewed, the review process should initially focus on WCP cases that have the highest opportunity for identifying potential fraud and reducing program costs. This review methodology worked well for our review efforts in VISN 2 and 22 and is the same approach that we have used to prioritize case reviews that will be completed by all VISNs. To prioritize cases for review by each of the 22 VISNs, we completed an analysis of automated WCP records and categorized the 6,513 VHA WCP claims that had compensation payments in CBY 1997 into the following three groups[5]:

- Primary file – The 3,263 WCP records in this group have the highest potential for removal of claimants from the WCP rolls and should be reviewed first. This group includes WCP claims over 4 years old and claimants under 65 years old. Claimants that are under 65 years old could be working and not reporting their earnings, as required. Additionally, according to OWCP staff, most injuries would not generally result in extended lengths of total disabilities.

  Additional automated analysis was performed on the 3,263 records in the Primary File to further reduce and prioritize the records for review. We developed a matrix based on the total amount of compensation and medical payments on individual cases in CBY 1997. Using this matrix and the red flag of high compensation with little or no medical costs, an additional cut-off of WCP claims can be established. We identified all claimants receiving more than $5,000 in compensation in CBY with less than $1,500 in medical costs. Using this criteria identifies 1,705 claims nationwide with the highest priority for review. We used this criteria for identifying initial cases for review in VISN 2 and 22, and believe that this would also be an appropriate starting point for other VISN reviews. Our audit results show that these cases have the highest potential to significantly reduce WCP costs and identify program fraud. *(A matrix of cases for all 22 VISNs is presented in Appendix VIII on page 63. Applicable matrixes of cases for individual VISNs is presented in Appendix V on page 33.)*

- Claimants 65 and over file – The 1,906 records in this group would have a lower potential for fraud because it is less likely that these employees are working and not reporting earnings as required. However, they should still be reviewed to ensure that there are residual effects of work related injuries.

[5] There were 36 WCP claims where the claimant was 65 or older when they filed a claim for work related injury. Therefore, the total of the three categories equals more than 6,513 because these 36 cases were counted in two categories.

- Injury occurred less than 4-years ago file – The 1,380 records in this group have the lowest priority for review under this protocol package because case management on these claims should be current and residual effects of work related injuries are more likely to occur right after injury.

In addition to enhancing case review efforts, information provided in this protocol package can be used in a number of ways such as aiding in developing trends and comparing facility/VISN data to national data. For example, summary data such as nature of injury codes is provided for all VHA facilities and individual VISNs. This information can be used by Central Office and VISN Network Office staff to develop trends on nature of injuries to use in development of safety issues. Additionally, the claimant's occupational code is provided to identify marketable jobs skills for selected geographical areas within a VISN. Summary data for all VISNs is provided so VISN Network Offices can compare their VISN to other VISNs.

Procedures for Referring Potential Fraudulent WCP Claims to the OIG

Workers' compensation is an essential employee benefit, entitling those persons who are injured on the job to compensation while they recover; however, OIG efforts in the WCP area have shown that a small percentage of employees fraudulently submit WCP claims, or after establishment of a WCP claim, commit program fraud. WCP fraud occurs when someone knowingly and with intent to defraud, presents or causes to be presented, any written statement that is materially false and misleading to obtain some benefit or advantage. Our audit of WCP costs showed that an estimated $9 million of CBY 1996 WCP costs could potentially be the result of program fraud. The instructions and worksheets contained in this protocol package are geared toward identifying indicators of potential WCP fraud. If potential WCP fraud is identified, the WCP Specialist should contact the OIG Office of Investigations in Washington, DC or the nearest OIG Field Office of Investigation to obtain guidance on what evidence should be collected and what needs to be included in the case referral package. *(A discussion of indicators of fraud and a listing of OIG Office of Investigations fraud referral contacts are presented in Appendix VII on pages 61 - 62.)*

VISN Level Oversight is Needed to Effectively Implement the WCP Case Review Protocol Package

VISN level oversight is needed to ensure reviews are conducted and follow up actions, when required, are taken. Our automated analysis of records identified those WCP cases that should be reviewed first because they have the highest potential for fraud and/or removal from WCP rolls. In order to achieve maximum benefits from case review efforts, appropriate resources must be provided to ensure that:

- Initial reviews are conducted to identify current issues and case status.
- Determinations are made on what actions are needed to remove a claimant from the WCP rolls.
- Follow up actions are taken to resolve issues identified by reviews.

- Actions are taken, such as offering modified duties, to remove a claimant from the WCP rolls.

Best Practices and Other Factors That Could Provide Additional Aid in Reducing WCP Costs

The most important factor for effective WCP case management and fraud detection is providing sufficient program resources. The amount of resources needed to manage the WCP will very from facility to facility depending on the number of WCP claims at the facility; therefore, no one case management method can be applied to all facilities. However, there are key elements needed at every facility for effective WCP case management. Key case management elements include:

- Maintaining case files on all open/active WCP claims no mater how old the claim.
- Offering light or modified duty to employees as they recover from their injury. OWCP studies show that the longer an employee is off from work the harder it is to get them to return.
- Providing timely follow up actions on cases. VA has the ultimate responsibility for case management which includes following up on untimely or no actions by OWCP.
- Monitoring program areas such as "Continuation of Pay" (COP) to develop trends in potential increases or decreases in WCP cost.
- Utilizing automated WCP information systems such as VA's Workers' Compensation and Safety Tracker Management Information System or OWCP's Agency Query System.

We believe that another effective way to enhance WCP management and oversight at the VISN level would be to establish a VISN WCP Coordinator to oversee facility programs and coordinate VISN initiatives, such as implementing this protocol review, with applicable OWCP District Offices. The VISN WCP Coordinator could even be located in the same city as the OWCP District Office. Someone with medical/clinical background may have a better understanding of terminology used in medical exams and reports that would allow for easier development of modified or light duty job offers. Additionally, they would be better able to develop residual effects of work related injury or disease. Our review efforts have found that some VISNs have already established or are considering establishing VISN WCP Coordinators. *(Discussions of best practices and other aids for case management is presented in Appendix II on pages 17 - 20.)*

Conclusion

This protocol package was developed to aid VHA in WCP case management and in identifying fraudulent WCP claims. The automated analysis of WCP cases will prioritize claims so the ones with the highest potential for removal from WCP rolls, and most likely to be fraudulent, are reviewed first. However, over time all active cases should be reviewed using the instructions included in the protocol package. Additionally, sufficient resources, including VISN level oversight, must be provided to ensure that enhanced case management and potential reductions in WCP costs are realized.

For More Information

- *Detail discussion of Automated analysis of WCP claims is presented in Appendix III on pages 21 - 25.*
- *Detail discussion on case review instructions and worksheets used to aid in case reviews is presented in Appendix VI on pages 45 - 59.*
- *Summary data for individual VISNs is presented in Appendix V on pages 33 - 43. Summary data for all 22 VISNs is presented in Appendix VIII on pages 63 - 72.*
- *Detail discussion on fraud and procedures for referring suspected fraud to the OIG is presented in Appendix VII on pages 61 - 62.*

General Information

APPENDIX I

OBJECTIVES, SCOPE, AND BACKGROUND

OBJECTIVES

The overall objective of developing this protocol package is to assist the Department in further reducing WCP cost by providing a structured methodology for enhancing case management and identifying potential fraudulent claims. Specific objectives were to:

- Provide a protocol package to use as a tool that facilitates efficient and effective WCP case review and analysis with emphasis on further reducing WCP cost.
- Provide guidance and direction in prioritizing WCP claims.
- Provide a systematic model for enhancing case management and identifying potential fraudulent WCP claims.

SCOPE

In CBY 1997, VHA had 22,752 active/open WCP claims with compensation and medical costs totaling about $129 million. This protocol package focuses on the 6,513 WCP claims that received compensation payments in CBY 1997. Compensation and medical costs on these 6,513 claims total about $120 million. The remaining 16,239 cases, that had only medical payments totaling about $9 million in CBY 1997, were not included in our analysis.

Development of this protocol package was a joint effort between OIG and VHA. We performed some validity testing on the automated data used in our analysis and concluded that it was valid for identifying selected information on WCP claims. Although we did identify minor discrepancies with some of the data elements (such as missing occupation information), we concluded that the discrepancies were not significant and would not impact our analysis.

BACKGROUND

The Federal Employees' Compensation Act (FECA) provides compensation and medical benefits to civilian employees of the Federal government for personal injury or disease sustained while in the performance of duty. FECA also provides benefits to an employee's dependents if the work-related injury or disease results in the employee's death. Benefits provided under the FECA program constitute the sole remedy against the United States for work-related injury or disease. Additionally, under FECA, employees sustaining a traumatic injury in performance of duty are entitled to COP for up to 45 days while they recover from the injury. VA's WCP was established to administer employees' claims filed under FECA.

Legislative History

Administration of FECA was initially vested in an independent establishment known as the United States Employees' Compensation Commission. This commission was abolished and its functions were transferred to the Federal Security Agency's newly created Bureau of Employees' Compensation. In 1950, responsibility for administration of the FECA program was transferred to the DOL. Currently, the program is administered by DOL's Employment Standards Administration, Office of Workers' Compensation Programs (OWCP). The employing agency is responsible for initiation of claims and much of the case management. Guidance for these responsibilities are contained in OWCP's publication CA-810 "Injury Compensation for Federal Employees, A Handbook for Employing Agency Personnel" revised in February 1994.

OWCP Responsibilities

OWCP is responsible for adjudicating claims and making payments to claimants. OWCP provides wage replacement benefits, payment for medical treatment, vocational rehabilitation, and certain other benefits to injured workers and their dependents. The OWCP Division of Federal Employees' Compensation has responsibility for adjudicating FECA claims filed by Federal employees. In addition to payment of medical costs and compensation benefits, case management services provided by OWCP include:

- Assistance in returning to work – FECA gives injured workers the right to reclaim their Federal jobs within one year of the onset of wage loss.
- Assignment of a registered nurse to work with injured employees who cannot return to work soon after the injury.
- Referral to a medical specialist for second opinion examination when necessary or required for additional medical information.
- Vocational rehabilitation services if the employees are unable to return to work at the employing agency or in the previous job/occupation category.

OWCP makes payments related to FECA claims out of the Employees' Compensation Fund and bills the employing agency annually. The employing agency then reimburses this fund through annual operating appropriations. Additionally, OWCP provides the employing agencies a quarterly listing of payments made to claimants and service providers.

Employing Agency Responsibilities

The employing agency has no authority for approval or denial of claims filed under FECA; however, the employing agency may dispute paying of COP. This process is known as controversion of claim. There is an appeal process for injured employees if the claim is denied. However, once wage loss compensation has been approved by OWCP, the employing agency cannot controvert the decision. VA as employing agency is responsible for:

- Ensuring that appropriate agency personnel such as supervisors understand their responsibilities under FECA.
- Notifying the injured employees of their rights and obligations under FECA.
- Controverting questionable claims.
- Initiating the FECA claim and ensuring timely notification to OWCP.
- Providing and tracking COP if employees are unable to work.
- Assisting employees with returning to work as soon as possible by providing light or modified work duties.
- Monitoring the medical status of injured employees to ensure they are able to return to work as soon as possible.

The Assistant Secretary for Human Resources and Administration is responsible for providing Departmental organizations with overall program guidance. WCP administration is decentralized within VA; therefore, program responsibilities are carried out by the field facilities. Each facility is responsible for designating an employee to serve as the facility's workers' compensation Specialist or Coordinator. This position is generally located within the Human Resources Service and has collateral duties assigned to the position.

Program Process

When employees are injured while in performance of their duties, prompt action should be taken to ensure the employees receive the appropriate FECA benefits and return to duty as soon as possible. Once employees report their injury, they are to be informed of their rights and obligations under FECA. Generally, employees should receive appropriate medical attention, if needed, from VA's Employee Health Unit or employees' private physician. If employees are unable to return to their duties as a result of the injury, then they are entitled to up to 45 days of COP. COP is authorized for traumatic injury but not for occupational or other diseases. If employees are still unable to return to work at the end of the 45 days, they are entitled to begin receiving compensation for lost wages (after 3 days of no wages). The compensation will be based on the employees' pay rate at the time of the injury or time of disability, whichever is greater. The WCP case should be monitored until the employee is cleared by a physician to return to work.

Audit History

Prior OIG audit reports[6] found continued problems in VA's management of its WCP cost.

1985 OIG Audit Work in WCP Area

- VA OIG conducted an audit of claims filed under FECA. The report cited the absence of clear program guidelines and the lack of overall responsibility for management of program. The report projected that program cost would reach $98 million by 1990 if corrective actions were not taken to control costs.

- The principal recommendation was to assign responsibility in VA for program review, oversight, and evaluation of Department, agency, and facility activities. In response, VA established a part-time WCP Specialist position and developed program guidelines. A VHA circular, which provided instructions for managing WCP cases and costs, was issued in 1989.

1992 OIG Audit Work in WCP Area

- VA OIG conducted an audit of the WCP as part of a government-wide review of the FECA program sponsored by the President's Council on Integrity and Efficiency. The report cited deficiencies in program oversight and management. Specifically, VA was not effectively returning injured employees back to work, was not properly monitoring long-term cases, not verifying chargeback costs, and not aggressively challenging questionable claims. Also, the report noted that WCP costs in 1990 had reached $116 million, or $18 million above the previous OIG report projection.

- The principal recommendations were to improve program management and provide accountability at the local level by changing policy so that associated WCP costs are charged back to local facilities. In response, VA began charging part of WCP costs to local facilities in 1994 and all of the costs in 1995. VA also began developing a WCP Management Information System in 1994, and issued new policies and procedures in August of 1997[7].

Current OIG Efforts in WCP Area

- The most recent audit report, **Audit of VA's Workers' Compensation Program Cost** (issued July 1, 1998), found that improvements were made and WCP costs had been reduced, but there was still a lack of effective case management at some facilities which placed the Department at risk for program fraud, abuse, and unnecessary costs. Our review found that

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[6] OIG Reports - VA Management of FECA Cost for Work-Related Injuries (issued 2/85) and Audit of VA Management of Federal Employees' Compensation Act Program (issued 9/93).

[7] In addition to VA's initiatives in response to the OIG recommendations, the Department of Labor began developing automated processing programs in 1992 to reduce the number of duplicate payments made for medical bills associated with WCP claims.

the Department's success in reducing WCP costs has resulted primarily from more active management of new cases with an associated reduction of medical costs. The audit identified a number of best practices that some VHA facilities have established to reduce WCP costs by returning injured workers back to work or otherwise removing them from the rolls. *(A detail discussion of best practices is presented in Appendix II on pages 17 - 20.)*

- The OIG Office of Investigations established a special task force in the New York field office to identify fraudulent workers' compensation claims. Investigations continue to uncover incidents of unreported outside income. This project has been ongoing for about 2 years. Forty cases were targeted at 4 VA Medical Centers using DOL's quarterly charge back listing, personnel files and WCP case files. The project has resulted in 14 indictments and 13 convictions with fines and restitution orders totaling over $500,000. Estimated lifetime savings from removal of the claimants from the WCP rolls will be about $4.3 million.
- Based on results of our national audit and the special investigation in New York, the Inspector General initiated a project to identify potential fraudulent WCP claims using the "red flags" we had identified. The OIG began coordinating efforts with program officials in VHA with review work initiated in VISN 22 and later expanded to VISN 2. As a result of these coordinated efforts, it was determined that additional analysis, using the red flags we had identified, could be performed for all VISNs and development of this protocol package was initiated.

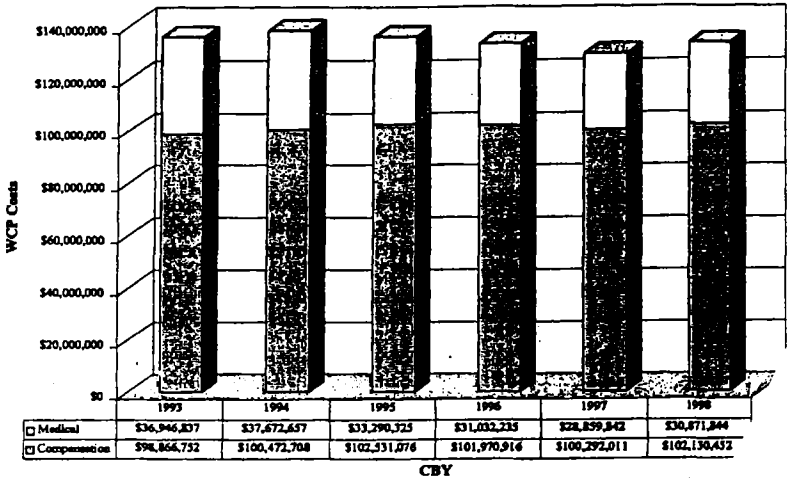
VHA Program Size and Costs

When the OIG audited this program area in 1992, long-term WCP cases (over 5 years old) represented about 11.5 percent of the population and accounted for over 50 percent of the compensation benefits. The 1997 audit showed that cases over 5 years old now represent about 36 percent of the population but account for about 77 percent of the compensation benefits in CBY 1996. VHA should focus on ways to enhance case management associated with these older cases that account for a substantial amount of their WCP costs.

Government-wide, VA has about the fourth largest annual WCP cost. VHA's WCP cost reached a high of about $138 million in CBY 1994 and decreased to about $129 million in CBY 1997. The CBY 1997 WCP costs will be paid out of VHA's Fiscal Year 1999 operating appropriations. However, VHA's WCP cost increased to about $133 million in CBY 1998 which ended on June 30, 1998. This increase shows the need for continued oversight and effective case management to assure that opportunities to reduce program costs are realized. VHA's annual WCP costs for 1993-1998 is shown in the chart on the next page.

APPENDIX I

VHA WCP Costs (1993 - 1998)



	1993	1994	1995	1996	1997	1998
Medical	$36,946,837	$37,672,657	$33,290,325	$31,032,235	$28,859,842	$30,871,844
Compensation	$98,866,752	$100,472,708	$102,531,076	$101,970,916	$100,292,011	$102,130,432

GENERAL INFORMATION

APPENDIX II

BEST PRACTICES AND OTHER AIDS FOR CASE MANAGEMENT

The most important factor for effective WCP case management and fraud detection is providing sufficient program resources. The amount of resources needed to manage the WCP will very from facility to facility depending on the number of WCP claims at the facility. However, there are key elements needed at every facility for effective WCP case management. Key case management elements include:

- Maintaining case files on all open/active WCP claims no mater how old the claim.
- Offering light or modified duty to employees as they recover from their injury. OWCP studies show that the longer an employee is off from work the harder it is to get them to return.
- Providing timely follow up actions on cases. VA has the ultimate responsibility for case management which includes following up on untimely or lack of action by DOL OWCP.
- Monitoring program areas such as COP to develop trends in potential increases or decreases in WCP cost.
- Utilizing automated WCP information systems such as VA's Workers' Compensation and Safety Tracker Management Information System or OWCP's Agency Query System (AQS).

During our recent review efforts in the WCP area, we identified best practices at various facilities that resulted in enhanced case management and reduced WCP costs. We believe that identification and implementation of best practices Department-wide is essential to reducing the agency's WCP costs. We found that at one VHA facility in VISN 22, aggressive efforts to reduce WCP costs that encompassed many of best practices discussed below resulted in about a $2 million reduction in WCP costs over 4 years. Best practices and other tools that can be used to reduce WCP costs are discussed below.

Establishment of a VISN WCP Coordinator

We believe that an effective way to enhance WCP management and oversight at the VISN level would be to establish a VISN WCP Coordinator to oversee facility programs and coordinate VISN initiatives with applicable OWCP District Offices. The VISN WCP Coordinator could even be located in the same city as the OWCP District Office. Someone with medical/clinical background may have a better understanding of terminology used in medical exams and reports that would allow for easier development of modified or light duty job offers. Additionally, they would be better able to develop residual effects of work-related injury or disease. Our review efforts have found that some VISNs have already established or are considering establishing VISN WCP Coordinators.

Establishment of a WCP Task Force

Establishing a VISN level task force to identify elements needed for effective case management and to develop VISN WCP policies and procedures can significantly aid in reducing WCP costs. The task force could serve as a vehicle for sharing of information among WCP Specialists. Through this process, complex case management and other WCP issues could be resolved.

We found that at one VHA facility in VISN 8, a special WCP task force was established to identify ways to reduce WCP costs. The task force was made up of members from various facility services. Task force recommendations that were implemented included the following:

- Have the employee report to facility Occupational Health Physician when injured and be cleared by Occupational Health Physician before returning to work or light duty. (Injured employees have the option of reporting to an Occupational Health Physician when injury is incurred and may continue to use the physician to treat the injury.)
- If the facility Service does not offer the injured employee light or modified duty, then they lose the position/Full Time Employee Equivalent (FTEE).

According to facility management, as a result of implementing these two recommendations, injured employees are not out of work as long because the Service they work in does not want to lose the FTEE. Additionally, medical costs are reduced because some injured employees will continue to use the Occupational Health Physician.

Challenge Questionable Medical Reports, Assessments, and Bills

WCP Specialists should challenge questionable medical reports, assessments, and bills. Injured employees or doctors may submit medical bills unrelated to injury for payment and receive payment from OWCP if not questioned. Additionally, treating physicians may not be specific about amount and type of work that an injured employee can do if not asked. Someone with a medical/clinical background generally has a better understanding of medical terminology and would be more likely to challenge questionable medical information. Having someone with a medical background available for the program can significantly aid in reducing WCP costs..

Offer Creative and Innovative Jobs to Employees on WCP Rolls

Offering creative and innovative jobs to employees on WCP rolls could foster a more efficient and effective work environment. At some of the facilities we visited, the WCP Specialist would develop modified or light duty positions based on injured employees' abilities and work limitations rather than available positions. This method was especially useful in returning WCP claimants back to work that had been on the rolls for a number of years. Additionally, with the current advancements in computer and information technology, telecommuting is also available as an innovative job method.

Utilize Available Automated Information Systems

Available automated tools such as DOL's AQS and VA's Workers' Compensation Management Information System (WC-MIS) can be used to keep abreast on status of claims, bill information, and compensation payments. These systems can also be used to develop trends and identify claimants with a history of WCP claims. During our national audit of WCP costs, through the use of VA's WC-MIS, we identified one claimant who was receiving WCP compensation for a work-related injury while working at another VHA facility. The WCP Specialist should review the information that is in the WC-MIS to ensure that information is correct. Additionally, billing information is readily available to assist in identifying duplicates and potentially bogus bills.

Establish a Network for Modified or Light Duty Jobs

Our automated analysis of the 6,513 claims for compensation payments in CBY 1997 found that about 1,032 claimants (15.8 percent) lived in states other than the state where they incurred the work-related injury. We found that several of the VHA facilities in VISN 22 had traded light duty positions with each other for their WCP claimants who were living in other parts of the state. The facility in one city provides a job for a WCP claimant from another facility who lives in its city and the other facility does the same for a claimant living in its area. The same type of job sharing or networking could also work on a national level with all VHA facilities.

Establish a WCP Hotline for Reporting Program Fraud or Abuse

A WCP hotline could be an effective deterrent for fraudulent claims and to program fraud, waste, and abuse. The hotline could be established at either the VISN or facility level. Employees and others could call and report fraudulent claimants or other program abuse. Reported information could be reviewed for possible referral to the OIG. In order to keep cost down, an alternative to a hotline could be a special post office box.

Other Best Practices and Tools

Our review found that ergonomics and back programs are very effective in reducing employee injuries. There should be an ergonomic technical advisory group established to oversee the development of policies that emphasizes safety and training. Several facilities we visited have back programs that include training on proper lifting techniques and appliances (such as back braces to use when lifting).

There should also be an accident review team that reviews all accidents that occur at the facility. This team should be made up of the WCP Specialist, the safety officer, someone from occupational health and someone from management. The accident review team should evaluate the area where an accident occurred to determine what could be done to improve the area and prevent recurrence.

Additionally, VISN 2 has hired an employee with an investigative background to obtain information on suspected fraudulent WCP claims. This employee is available for all VISN facilities to aid in gathering information for case referrals to the OIG Office of Investigations.

GENERAL INFORMATION

APPENDIX III

AUTOMATED ANALYSIS OF CLAIMS

Four automated files are maintained by DOL's OWCP that contain selected information on WCP claims and claimants. There are three weekly files that contain detail information on case master (identification data), compensation payments, and medical/treatment payments and one quarterly summary file. The quarterly summary file is a cumulative file that contains summary information from the weekly files. This information is provided to VA to maintain and up-date its WC-MIS. We used information from VA's WC-MIS to complete an automated analysis of WCP claims. This analysis is a key step in our case review selection methodology discussed below.

Based on results of a national audit and a special investigation in New York, the OIG initiated a project to identify potential fraudulent WCP claims using the "red flags" we had identified. *(A detail discussion on red flags is presented in Appendix VI on pages 47 - 48.)* The OIG began coordinating efforts with program officials in VHA with review work initiated in VISN 2 and 22. As a result of these coordinated efforts, it was determined that additional automated analysis, using the red flags, could be performed for all VISNs and development of this protocol package was initiated. OWCP's summary file dated June 30, 1997 was used because it contained information on all WCP claims that had activity in CBY 1997. The objectives of our automated analysis were to:

- Identify VHA WCP summary records that received compensation payments in CBY 1997. Eliminate records by creating two separate files for (1) case records where the claimants is over 65 years old as of **May 1, 1998** and (2) case records that are less than 4 years old as of **May 1, 1998** (based on date of injury).
- Compare compensation and medical cost on WCP records in universe to identify WCP claims with high compensation payments and no or very little medical cost.
- Identify WCP records in the universe were the claimants mailing address is in a different state than the VHA facility paying the claim.
- Perform frequency counts on occupational codes and nature of injury codes to assist in identifying WCP claimants with marketable job skills and trending nature of injuries.
- Identify old WCP claims through aging of cases.

Our methodology for this automated analysis was developed and successfully tested in VISN 2 and 22 using DOL's summary file. The two primary red flags used were: (1) high compensation with little or no medical expense, and (2) claimants living out-of-state. Additionally, we eliminated records for older claimants and newer cases (based on date of injury) from the primary file or target group. This preliminary prioritizing of cases for review resulted in creating three files (primary, claimant over 65 years old, and WCP case less than 4 years old) for automated analysis. Because all of the active/open cases should be reviewed over time, information used for identifying red flags is included in all files for later analysis by VISN staff. The results of our analysis follows.

APPENDIX III

We Identified 6,513 VHA WCP Summary Records That Received Compensation Payments in CBY 1997

Our initial analysis identified 6,513 VHA WCP claims that received compensation payments totaling about $101 million in CBY 1997. These claims were categorized, based on age of claimant and age of case, into the following three files/groups:

- Primary file – Consist of 3,263 WCP records with the highest potential for removal of claimants from WCP rolls and for potential fraud. This is the file primarily used for our analysis. CBY 1997 compensation and medical payments totaled about $51 million and $10 million respectively for these 3,263 WCP claims.
- Claimants 65 and over file[8] – Consist of 1,906 WCP records with a lower potential for removal from the rolls and even lower potential for fraud prosecution. Generally, claimants over 65 will not be prosecuted for fraud; however, administrative actions can still be taken. By focusing on the claimants under 65, the opportunity to return these claimants to work is greater and prosecution of fraud is an available option. All the cases in this file should still be reviewed to ensure that there are residual effects of work related injury. As shown by the Bar Chart in Appendix VIII on page 72, medical costs account for only about 5 percent of WCP costs which indicates no residual effects of work related injury for allot of the cases in this file. CBY 1997 compensation and medical payments totaled about $39 million and $2 million respectively for these 1,906 WCP claims. We used May 1, 1998 to establish the age of the claimant.
- Injury occurred less than 4 years ago file – Consist of 1,380 WCP records with the lowest priority for this protocol package. Our reviews have found that generally case management on these claims is current. Although there is a lower case review priority for this protocol package, oversight is still needed to ensure continued effective case management. Additionally, residual effects of work related injuries are more likely to occur right after the injury. CBY 1997 compensation and medical payments totaled about $11 million and $7 million respectively for these 1,380 WCP claims. We used May 1, 1998 and date of injury to establish the age of the claim.

(A graphic presentation of these files by VISN is presented in Appendix VIII on pages 63 - 72.)

[8] There are 36 WCP claimants that were 65 or older when they filed a claim for work related injury. These claimants are included in "Claimants over 65 and Injury occurred less than 4 years ago" files; therefore, the totals for these two files when added to the "Primary" file equal more than 6,513.

A Comparison of Compensation and Medical Payments Was Made to Identify High Compensation Records With Little or No Medical Costs and Reduced the Number of WCP Records to Review to 1,705

Additional automated analysis was performed on the 3,263 records in the Primary File to further reduce and prioritize the records for review. We developed a matrix based on the total amount of compensation and medical payments on individual cases in CBY 1997. Using this matrix and the red flag of high compensation with little or no medical costs, an additional cut-off of WCP claims can be established. We identified all claimants receiving more than $5,000 in compensation in CBY with less than $1,500 in medical costs. Using this criteria identifies 1,705 claims nationwide with the highest priority for review. We used this criteria for identifying initial cases for review in VISN 2 and 22, and believe that this would also be an appropriate starting point for other VISN reviews. Our audit results show that these cases have the highest potential to significantly reduce WCP costs and identify program fraud. *(A matrix of cases for all 22 VISNs is presented in Appendix VIII on page 63. The applicable matrix of cases for individual VISNs is presented in Appendix V on page 33.)*

WCP Claims for Claimants Living Out-of-State Need to be Reviewed

Our audit of WCP costs found that a lower priority is assigned to case management on cases for claimants living outside of the VHA facility's jurisdiction. Our automated analysis of the 6,513 WCP claims identified 1,032 WCP cases where the claimants address of record is outside the state in which the VHA facility is located. The primary file includes 555 out-of-state records. *(A summary table by state of these 1,032 records is presented in Appendix VIII on pages 65 - 66.)* These records were marked with an out-of-state code that includes the state abbreviation and the facility's station number. For example, a VA Medical Center Long Beach, CA claimant living in Dallas, TX would have an out-of-state code of "TX600". All of these cases should be reviewed to ensure that there is current medical and income information on file.

Other Automated Analysis That Will Aid in WCP Case Management and Potential Cost Reductions

In addition to enhancing case review efforts, information provided in this protocol package can be used in a number of ways such as aiding in developing trends and comparing facility/VISN data to national data. For example, summary data such as nature of injury codes is provided for all VHA facilities and individual VISNs. This information can be used by Central Office and VISN Network Office staff to develop trends on nature of injuries to use in development of safety issues. Additionally, the claimant's occupational code is provided to identify marketable jobs skills for selected geographical areas within a VISN. Summary data for all VISNs is provided so VISN Network Offices can compare their VISN to other VISNs. *(A summary of the frequency distribution of the top 30 occupational codes for the primary file is presented in Appendix VIII on pages 67 - 68.)*

Our audit of WCP costs found that generally a lower priority is assigned to case management of older WCP cases. Additionally, we found that some facilities did not maintain case files on many of the older WCP cases. As a result, we included a "case age code" in the file that contains the detail records for individual VISNs (the detail record file is located on the PC floppy disks [Disk One] included with this protocol package). The age of the case was calculated using the date of injury and May 1, 1998. The table below is a summary of the 6,513 WCP records that received compensation payments in CBY 1997 by age category.

Aging of 6,513 WCP Claims Based on Date of Injury

Age of Claim Category	Age Code	CBY 1997 Total Compensation	CBY 1997 Total Medical	CBY 1997 Total	No. of Cases	Percent of Total
1-48 Months (<= 4 Years Old)	A	$11,425,880	$7,788,616	$19,214,497	1,380	21.2%
49-120 Months (>4 <=10 Years)	B	$26,715,960	$5,875,884	$32,591,844	1,635	25.1%
121-240 Months (>10 <=20 Years)	C	$36,298,326	$4,263,688	$40,562,014	2,125	32.6%
241 + Months (> 20 Years Old)	D	$26,202,023	$1,629,612	$27,831,635	1,373	21.1%
Total For All VISNs		**$100,642,189**	**$19,557,800**	**$120,199,990**	**6,513**	**100.0%**

In addition to identifying older WCP claims, aging of cases can also assist in developing trends on national and VISN levels. On a national level, the Chart On Aging of 6,513 WCP Claims By VISN in Appendix VIII on page 69 shows that the majority of the VISNs have a lower percentage of new claims (4 or less years old) as compared to the VISN's total percentage of the 6,513 WCP claims. However, VISN 4 has 9.6 percent of the WCP claims that are 4 or less years old with only 6.7 percent of the 6,513 total cases. Because this VISN is outside the norm, additional trends and reviews need to be competed to determine why. One possibility, is that some facilities need to review their Occupational Health and Safety policies to ensure they are current and being appropriately followed. This same trend/analysis can be performed on a VISN level using the Chart On Aging of VISN WCP Claims in Appendix V on page 39.

Automated Analysis Methodology Was Shared With VA WCP Staff

In 1994, the Austin Automation Center (AAC) began developing the Workers Compensation and Occupational Safety and Health Management Information System (also called the Workers Compensation and Safety Tracking program) that consists of two management information systems. One of these systems is the WC-MIS which can assist field facilities in case management by giving them access to information on WCP cases obtained from DOL OWCP and VA personnel records. We used the WC-MIS in our audit of WCP costs to obtain case information such as current cases status, injury type, and medical bills paid. The OWCP file used for our automated analysis of WCP claims is also used in updates and maintenance of the WC-MIS.

We shared our methodology for automated analysis with VA's WCP Program Manager and AAC staff responsible for development and maintenance of VA's WC-MIS who agreed to consider incorporating our analysis techniques in future modifications to the system. According to these program officials, the WC-MIS can perform similar analysis in some areas. For example, aging of a claim by days is available. Additionally, cases can be selected by VISN if the user has that access authority. However, our audit of WCP costs found that only one VISN had access to this system on a VISN level. As a result of our review efforts in VISN 22, the VISN WCP Coordinator now has access to all VISN facilities' WCP records maintained in the WC-MIS. We believe that each VISN should have this level of access to WCP records to assure appropriate VISN level oversight.

GENERAL INFORMATION

APPENDIX IV

RESULTS FROM VETERANS INTEGRATED SERVICE NETWORKS (VISN) 2 and 22 REVIEWS

Using the red flags identified by OIG audit and investigative efforts, we developed methodologies for identifying questionable and potential WCP fraudulent claims. Through initial analysis of CBY 1996 WCP data and discussions with VHA's Chief Network Officer, VISN 22 was selected for testing and refinement of our review methodologies. At the request of the Network Officer, we also reviewed WCP claims in VISN 2 using CBY 1997 data. These efforts were joint OIG and VISN initiatives that have identified significant results. Through these efforts, we identified potential fraud and lifetime benefit reductions in compensation payments totaling about $45 million. The objectives of these initiatives were:

- To assist VISN 2 and 22 in reducing WCP costs through identifying questionable and potential fraudulent workers' compensation claims.
- To provide initial leadership, training, and guidance to VISN staff on effective case management and gather additional information for development of a protocol package that can be used by all VISNs.

Cases were reviewed and analyzed to identify potential fraud and to determine and prioritize what actions needed to be taken to remove the claimants from the WCP rolls. We reviewed both VA and OWCP case files. Our review efforts included:

- Site visits to five of the seven facilities in VISN 22 for case reviews and training/guidance to each facility WCP coordinator. Individual facility WCP coordinators for four of the five facilities in VISN 2 came to the VISN office for the training and case reviews.
- Site visits to DOL's OWCP District Offices in San Francisco, CA; New York City, NY; and Jacksonville, FL for review of OWCP case files.
- Discussions with the DOL-OIG Office of Investigations in Washington, DC and San Francisco, CA to coordinate our review efforts on potential fraud.
- Discussions with the California State Insurance Fraud Division to determine how they identify fraudulent state WCP claims and to determine if we could use information they maintained to aid our efforts.

Automated Analysis of WCP Claims Was Used to Prioritize Cases for Review

In VISN 22, case selection criteria was made though automated analysis of WCP claims that received compensation payments in CBY 1996 and using the red flag of high compensation with little or no medical cost. Our initial analysis of VISN 22 WCP claims identified 613 cases that received WCP compensation payments in CBY 1996. We eliminated all the cases where the claimant was over 65 years old as of January 1, 1998 (223 records) or the "Date of Injury" was less than 3 years before January 1, 1998 (40 records). We selected, from the remaining 350 records, only those WCP cases with compensation payments over $5,000 and medical payments

less than $1,500 in CBY 1996. This resulted in identifying 148 WCP cases in VISN 22 for our initial review. Although all 613 cases should be reviewed, using the above methodology assisted in prioritizing which cases to review first.

Because the cases were prioritized using CBY 1996 data, we verified the current case status in the WC-MIS. Next, we reviewed the VHA WCP case files to identify/determine what information was needed. Additional WCP cases were eliminated for one or more of the following reasons:

- Current medical evidence in the WCP files indicated continued disability.
- There were no indicators that claimant was working and/or not reporting earned income.
- Compensation payments had been terminated due to employee's return to work.
- Claimants had elected disability retirement.
- Claimant had been removed from WCP rolls for other reasons (e.g., death, non-compliance, etc.).

We classified the remaining 105 WCP cases, including 4 referred from a WCP Specialist at one facility, into categories based on information obtained from our case reviews.

In VISN 2, we used the case selection criteria discussed in this protocol package which resulted in identifying 123 WCP cases, including 6 cases referred by the VISN WCP coordinator, for review and classification.

Site Visits Were Made to VISN Facilities and OWCP District Office Responsible for VISN WCP Claims

We made site visits to the five of the seven VISN 22 facilities and held discussions with the facility's Director, Human Resources Management Officer, and WCP Specialist. We discussed the best practices identified by our national audit of WCP costs and stressed the importance of providing adequate resources for case reviews. Additionally, we provided training on case management and identification of potential fraud. As part of the training, we discussed our methodologies for the initiative and our case file review results. In VISN 2, individual facility WCP coordinators from four of the five facilities came to the VISN office for training and case reviews. All the staff we spoke with were enthusiastic about our efforts and the potential to reduce WCP costs.

Site visits were made to the OWCP District Offices in San Francisco, CA; New York City, NY; and Jacksonville, FL to review case files and discuss our initiative. The VISN WCP Coordinator participated in our case reviews and discussions. We reviewed 71 of the 105 case files for VISN 22 at the OWCP in San Francisco. In New York, we reviewed 93 of the 123 case files for VISN 2. Some case files (34 in VISN 22 and 30 in VISN 2) were not available because the case files were either located at a different DOL District Office, in Washington for appeal, or in referee (independent medical exam) status. The VISN WCP Coordinators will review these cases as

they become available. Additionally, because 20 of the 28 VISN 2 out-of-state WCP cases were located at the OWCP District Office in Jacksonville we made a site visit to this office to review 24 case files (18 from VISN 2 and 6 from VISN 22). Two of the VISN 2 case files were multiple claims for the same individuals that had been combined into single claims. While at the OWCP District Offices we held discussions about our efforts and individual WCP cases with the District Director, Acting Executive Director, Claims Manager, Senior Claims Examiners, Claims Examiners, and Vocational Rehabilitation Counselor. The initiative was well received by all of the OWCP staff we spoke with.

Discussions Were Held With Federal and State Agencies to Identify Their Methodologies for Fraud Detection and to Seek Their Assistance in Our Efforts

We discussed our initiative with the DOL OIG Office of Investigations and the California State Insurance Fraud Division for southern California. According to the DOL OIG Investigators, it was harder to get convictions on claimants over 65 years old and claimants that under reported their income. They offered their assistance if we needed help on any potential fraud cases and provided a special computer run of VISN 22 cases for use by our Western Field Office of Investigations.

The California State Insurance Fraud Division maintains a management information system on convictions and suspected fraud. Our review of this system found that two of VA's WCP claimants had also been involved in state insurance fraud cases. Based on this information, as well as information obtained from other sources, the cases were referred to our Western Field Office of Investigations.

WCP Cases Were Classified Into Categories Based on Information Obtained From VA and OWCP Case Files

Once we compiled all of the information obtained from our review efforts, we classified the 228 WCP cases (105 from VISN 22 and 123 from VISN 2) into our five review results categories. A brief discussion of these categories with case examples and projected lifetime benefit reductions for the 228 cases follows:

- **Removal from WCP rolls** – Actions have been initiated that have or could result in removing 61 claimants from the WCP rolls resulting in a lifetime benefit reduction of $14,894,625 in WCP compensation payments.
  - In VISN 22, compensation benefits were suspended for a 62 year old claimant on March 26, 1998, because he did not report for a second opinion medical examination. The suspension resulted in creating an overpayment of $1,626.43. The claimant visited the WCP Specialist, while we were on site, to inquire about changing from workers' compensation to Office of Personnel Management (OPM) retirement benefits. According to the WCP Specialist, the claimant has elected OPM retirement benefits retroactive to March 6, 1998.

- In VISN 2, we identified a Veterans Canteen Service (VCS) employee on one facility's WCP charge back report. Our review found that because the facility had to re-establish a WCP case file in 1997, there was not enough information to identify the claimant as a VCS employee. The VCS employee was injured in August 1983. This claimant received $19,437.75 in compensation payments in CBY 1997. OWCP removed the claimant from VA's rolls on November 24, 1998.

- **Referrals to OIG Office of Investigations** – We referred 24 WCP claims to the OIG Office of Investigations that could result in a lifetime benefit reduction of $6,463,749[9] in WCP compensation payments.
  - In VISN 22, we identified a claimant that was employed at a VA Supply Depot when he sustained an injury to his thumb. He started working at a VISN facility in 1993, while receiving a loss wage earning capacity adjustment of about $640 a month. Although, he worked at a VISN facility, his case was being managed by Central Office. Recently, the VA Depot in New Jersey started managing the case. On one 1032 (form used by WCP claimants to report selected information such as earnings) he reported working at the VISN facility, but on subsequent 1032s he did not report working and used correction fluid to change answers about employment on one 1032.
  - In VISN 2, we identified a claimant that was working as a carpenter for VA in 1993 when he received a lumbar strain. The OWCP case file contained a medical report from 1997 indicating that the claimant was making furniture in his home garage. Our review of 1032s found no earnings had been reported. The claimant received $25,413.29 in compensation payments in CBY 1997.

- **Case management issues** – We identified 96 WCP claims that involved case management issues (most needed current medical or income information) that could result in lifetime benefit reductions of $20,283,083 in WCP compensation payments. depending on additional information obtained. (We continue to coordinate with the VISN Coordinators on resolution of these cases.)
  - In VISN 22, a claimant worked in a motor vehicle operation at a VISN facility. In 1993, he cut his hand in a truck, on a sharp object. He received a scheduled award and the first check was for $29,360 and subsequently payments, from December 1994 through September 1996, of approximately $1,700 per month. In 1996, he received a $25,000 settlement from the manufacturer of the truck. According to WCP regulations, this is a third-party settlement and should be recouped to offset compensation payments. The WCP Specialist needed to follow up with OWCP to determine if any action has been taken on the third party settlement.
  - In VISN 2, a claimant injured her left arm and shoulder in 1978. Review of medical information in the OWCP case file found conflicting information. The treating physician indicated the claimant could work with some restrictions; however, the claimant stated she cannot work. The WCP Coordinator needs to work with the OWCP District Office to resolve this conflict. Once all issues are resolved, it is

[9] Lifetime benefit reductions totaling $798,129 for 3 of the 24 potential fraud case is included in the removal from rolls category because the claimants compensation benefits have been terminated.

possible that a job offer could be made. The claimant received 16,900.50 in compensation payments in CBY 1997.

- **Out-of-state** – We identified 17 WCP claims[10] that involved claimants living out of-state and case files had been transferred from the OWCP District Office responsible for handling the VISN's claims to another OWCP District Office. WCP Specialists generally assign a lower priority to these cases. We recommended that contact be made with the appropriate OWCP District Office to obtain current information such as medical and income data on the claimants. Depending on the information obtained, lifetime reductions of $3,779,575 could be realized. (We continue to coordinate with the VISN Coordinator on resolution of these cases.)
  - A VISN 22 claimant filed a claim for a work-related injury in May 1984. There was no current information on this case in the facility's WCP case file. Review of VA's WC-MIS and OWCP's record found that the OWCP case file is located at the OWCP District Office in Washington, DC. The claimant is currently living in the Dominican Republic. The WCP Specialist needs to contact the Washington OWCP District Office to obtain current information on this case.
- **No additional action needed** – We identified 33 WCP claims where no additional actions are needed because the claimants had returned to work, elected OPM retirement, or benefits had otherwise been terminated.

The VISN 2 and 22 WCP Coordinators continue to follow up on the 228 cases identified in our review and are providing periodic status reports to the OIG while case work is in process.

[10] There were 36 out-of-state cases (19 in VISN 2 and 17 in VISN 22) that are included in other category counts and totals. The reason is generally contact has been made with the OWCP District Office that has jurisdiction over the claim and additional information has been requested or received.

CASE REVIEW AND FRAUD DETECTION/REFERRAL

APPENDIX V

VISN CASE TARGETING PACKAGE INCLUDING PC FLOPPY DISKS

The information in this appendix was obtained through automated analysis of CBY 1997 records. (*A detail discussion of this analysis is presented in Appendix III on pages 21 - 25.*) The protocol package includes two PC floppy disks that contain detail and summary information for VISN as well as VHA summary information. Additionally, the PC floppy disks contain supporting information for tables and graphs presented in this appendix. This information should be used in conjunction with instructions and review worksheets contained in Appendix VI on pages 45 - 59. A brief discussion on the information follows.

Table V.1 below is a matrix of the 172 WCP cases from the VISN 2 primary file. Information in this matrix can be compared to all VISNs by using the VHA matrix in Appendix VIII on page 63. This matrix was used to identify the 97 WCP cases that fall within our targeted group for the red flag of high compensation with little or no medical costs.

Table V.1

Matrix Of 172 WCP Records From Primary File For VISN 2

		$500.99 or less	$501 to $1,500.99	$1,501 to $2,500.99	$2,501 to $5,000.99	$5,001 to $15,000.99	$15,001 to $25,000.99	$25,001 to $40,000.99	$40,001 to $55,000.99	$55,001 or greater	Total For
	Range Codes	C1	C2	C3	C4	C5	C6	C7	C8	C9	Medical
M0	Negative Medical Costs	0	0	0	0	0	0	0	0	0	0
M1	No Medical Costs	2	3	3	1	10	14	2	0	0	35
M2	Medical Costs <= 500.99	4	6	3	5	21	21	4	0	0	64
M3	Medical Costs 501 – 1,500.99	0	1	1	2	12	10	3	0	0	29
M4	Medical Costs 1,501 – 2,000.99	2	0	0	1	7	4	0	0	0	14
M5	Medical Costs 2,001 – 2,500.99	0	0	0	1	2	4	1	1	0	9
M6	Medical Costs 2,501 – 5,000.99	0	0	0	1	3	3	4	1	0	12
M7	Medical Costs 5,001 – 10,000.99	0	0	0	1	1	0	1	1	0	4
M8	Medical Costs 10,001 – 25,000.99	0	0	0	0	2	3	0	0	0	5
M9	Medical Costs > 25,001	0	0	0	0	0	0	0	0	0	0
	Total For Compensation	8	10	7	12	58	59	15	3	0	172
		Totals for >C5 and<M3[1]				43	45	9	0	0	97

Table V.1 Footnotes:

[1] >C5 = Compensation greater than $5,001 and <M3 = Medical cost less than $1,500.

(File name on enclosed PC floppy Disk One is [*V02MATRIX.xls*].)

Table V.2 (pages 35 - 37) is a listing of the 97 WCP cases in the targeted group by facility. Because the automated analysis was performed using CBY 1997 data, VA's WC-MIS should be reviewed to check on the current case status and obtain information needed for completing the review worksheets in Appendix VI. If the facility does not have access to WC-MIS, additional information from CBY 1997 WCP summary file is contained on the PC floppy disk (Disk One - file name ***V02TARCS.xls***) included with this protocol package. These are the WCP cases that should be reviewed first because they have the highest potential for removal from the rolls and identification of potential fraud. (*Instructions and worksheets are presented in Appendix VI on pages 45 - 59.)*

Table V.3 (page 38) is a listing of 28 WCP claimants with out-of-state address, including out-of-state codes. These WCP cases should also be reviewed to ensure medical and income information is current through contact with the OWCP District Office responsible for the applicable state. Eight of the cases are already included in the 97 case review target group The PC floppy disk (Disk One file name ***V02OUTST.xls***) included in this protocol package contains more information on these cases.

Aging of the WCP claims can be another tool that is useful in analysis and prioritization of cases. As part of our automated analysis, we categorized the WCP cases into the following age groups using the date of injury and May 1, 1998:

Age Code	Range In Group	Total VISN Cases in Group
A	1-48 Months (<= 4 Yrs. Old)	52
B	49-120 Months (>4<=10 Yrs. Old)	84
C	121-240 Months (>10<=20 Yrs. Old)	108
D	241 or Over Months (>20 Yrs. Old)	68
	VISN Total	312

The pie chart on page 39 shows the percentage of the 312 VISN 2 cases in each age group. (*The pie chart for all VISNs is presented in Appendix VIII on page 68.*) The bar chart following the pie chart shows the percentage of the 312 VISN 2 cases at each facility in the VISN. This information is useful in developing VISN trends or for comparison to all VISNs. The supporting files for these charts are on the PC floppy disk (Disk One file name ***V02AGING.xls***) included with this protocol package.

Table V.4 (page 40) is a listing of the top 10 occupational codes for the 172 VISN WCP cases from the primary file. The table also includes the frequency and rank for all 3,263 VHA WCP cases in the primary file with same occupational code. (*A listing of the top 30 occupational codes for all VHA cases in the primary file is presented in Appendix VIII on pages 67 - 68.*) Information for all occupational codes is on the PC floppy disk (Disk One file name ***V02OCCP.xls***) included with this protocol package.

APPENDIX V

Table V.2

Listing of 97 WCP Cases In VISN 2 Target Group

OWCP Case Number	Facility Number	Claimant's Last Name	Claimant's SSN	Date of Injury (DOI)	CBY 1997 Compensation	CBY 1997 Medical
*	500	*	*	09/11/63	21,997	40
*	500	*	*	03/23/93	16,901	25
*	500	*	*	11/05/92	16,654	0
*	500	*	*	11/25/92	27,635	539
*	500	*	*	03/04/91	19,620	285
*	500	*	*	07/09/90	14,986	536
*	500	*	*	06/28/90	21,789	442
*	500	*	*	05/18/90	14,696	698
*	500	*	*	08/14/89	15,354	576
*	500	*	*	09/08/88	14,250	0
*	500	*	*	03/03/88	6,016	357
*	500	*	*	01/19/88	35,195	167
*	500	*	*	01/07/87	6,763	96
*	500	*	*	08/21/86	15,523	120
*	500	*	*	07/21/86	12,228	40
*	500	*	*	01/01/85	15,852	50
*	500	*	*	02/11/85	12,081	695
*	500	*	*	10/23/84	18,204	0
*	500	*	*	11/01/83	9,114	0
*	500	*	*	06/10/84	12,410	179
*	500	*	*	06/30/83	15,640	0
*	500	*	*	02/02/82	16,537	598
*	500	*	*	12/22/81	16,563	0
*	500	*	*	08/18/81	21,737	152
*	500	*	*	06/27/80	14,523	51
*	500	*	*	04/18/80	29,155	350
*	500	*	*	08/28/79	13,592	168
*	500	*	*	07/17/79	18,927	775
*	500	*	*	01/10/79	13,133	0
*	500	*	*	05/12/79	20,434	296
*	500	*	*	03/30/79	11,128	385
*	500	*	*	06/18/78	10,781	1,253
*	500	*	*	08/31/78	17,650	82
*	500	*	*	07/22/78	25,465	0
*	500	*	*	12/20/76	5,936	55
*	500	*	*	10/11/74	17,256	50
36 cases for Albany (500)				Totals	$595,724	$9,058

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APPENDIX V

Table V.2 (continued)

Listing of 97 WCP Cases In VISN 2 Target Group

OWCP Case Number	Facility Number	Claimant's Last Name	Claimant's SSN	Date of Injury (DOI)	CBY 1997 Compensation	CBY 1997 Medical
*	514	*	*	09/20/93	21,683	819
*	514	*	*	12/18/92	12,062	718
*	514	*	*	11/24/92	24,625	0
*	514	*	*	07/12/92	11,104	0
*	514	*	*	02/10/91	15,735	59
*	514	*	*	10/31/90	26,712	99
*	514	*	*	02/01/89	16,086	75
*	514	*	*	12/13/86	16,402	674
*	514	*	*	11/03/85	5,516	53
*	514	*	*	10/20/85	12,081	141
*	514	*	*	02/25/82	18,083	0
*	514	*	*	04/19/82	24,413	90
*	514	*	*	12/23/80	17,719	210
*	514	*	*	10/15/78	16,901	59
*	514	*	*	12/07/77	8,140	73
*	514	*	*	02/24/76	9,664	53
*	514	*	*	01/13/74	17,204	0
17 cases for Bath (514)				**Totals**	**$274,131**	**$3,124**
*	528	*	*	05/01/80	5,586	353
*	528	*	*	04/29/94	7,713	282
*	528	*	*	09/17/93	13,146	562
*	528	*	*	08/25/93	25,413	892
*	528	*	*	07/14/93	17,862	1,392
*	528	*	*	08/30/91	6,321	476
*	528	*	*	06/16/91	17,338	433
*	528	*	*	01/07/91	12,687	0
*	528	*	*	08/29/90	5,711	1,383
*	528	*	*	04/08/90	5,817	0
*	528	*	*	10/02/86	18,360	0
*	528	*	*	12/04/85	10,006	110
*	528	*	*	05/23/84	26,097	1,145
*	528	*	*	02/01/83	18,819	993
*	528	*	*	06/18/79	9,560	397
*	528	*	*	01/26/75	14,679	878
*	528	*	*	12/31/74	15,601	0
*	528	*	*	06/15/72	16,159	0
18 cases for Buffalo (528)				**Totals**	**$246,874**	**$9,297**

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APPENDIX V

Table V.2 (continued)

Listing of 97 WCP Cases In VISN 2 Target Group

OWCP Case Number	Facility Number	Claimant's Last Name	Claimant's SSN	Date of Injury (DOI)	CBY 1997 Compensation	CBY 1997 Medical
*	532	*	*	10/31/92	20,421	1,339
*	532	*	*	11/16/90	18,191	792
*	532	*	*	11/05/90	9,638	987
*	532	*	*	08/03/89	32,411	133
*	532	*	*	01/16/88	15,233	93
*	532	*	*	12/31/87	15,432	86
*	532	*	*	08/04/87	11,280	1,458
*	532	*	*	08/19/87	15,484	1,071
*	532	*	*	12/31/86	11,531	55
*	532	*	*	01/02/87	13,449	172
*	532	*	*	09/09/86	13,539	686
*	532	*	*	04/04/86	18,490	0
*	532	*	*	07/28/85	15,155	61
*	532	*	*	05/24/85	13,382	0
*	532	*	*	03/25/85	12,449	914
*	532	*	*	08/30/84	5,044	58
*	532	*	*	07/26/83	23,434	0
*	532	*	*	09/18/79	12,397	0
*	532	*	*	04/01/77	22,746	38
*	532	*	*	01/05/73	8,114	0
20 cases for Canandagua (532)				**Totals**	**$307,821**	**$7,941**
*	670	*	*	06/12/91	19,594	84
*	670	*	*	04/27/88	29,233	0
*	670	*	*	08/15/84	22,170	0
*	670	*	*	03/19/84	19,633	0
*	670	*	*	10/01/78	8,659	152
*	670	*	*	05/24/79	10,721	0
6 cases for Syracuse (670)				**Totals**	**$110,009**	**$236**
Total 97 VISN 2 Cases					**$1,534,560**	**$29,655**

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Table V.2 Footnotes:

[1] WCP Claimant's address of record is in another state (out-of-state).

[2] Evidence that WCP Claimant is deceased.

(File name on enclosed PC floppy Disk One is [*V02TARCS.xls*].)

Table V.3

Listing of 28 WCP Claimants In VISN 2 With Out-Of-State Addresses

OWCP Case Number	Facility Number	Claimant's Last Name	Claimant's SSN	Out-of-State Code	Date of Injury (DOI)	CBY 1997 Compensation
*	500	*	*	FL500	01/27/61	17,471
*	500	*	*	FL500	05/11/71	21,447
*	500	*	*	AZ500	07/22/78	25,465
*	500	*	*	FL500	02/11/85	12,081
*	500	*	*	FL500	02/01/85	15,982
*	500	*	*	FL500	12/27/85	19,226
*	500	*	*	FL500	10/05/87	10,827
*	500	*	*	VA500	08/14/89	15,354
*	500	*	*	NH500	11/25/92	27,635
*	500	*	*	AL500	11/05/92	16,654
10 out-of-state for Albany (500)					**Totals**	**$182,142**
*	514	*	*	GA514	10/24/64	20,949
*	514	*	*	FL514	11/08/74	22,365
*	514	*	*	FL514	01/15/76	31,545
*	514	*	*	TX514	12/09/76	12,869
*	514	*	*	FL514	01/30/78	9,026
*	514	*	*	FL514	02/04/81	11,925
6 out-of-state cases for Bath (514)					**Totals**	**$108,679**
*	528	*	*	CA528	12/17/71	20,014
*	528	*	*	GA528	04/21/71	10,828
*	528	*	*	FL528	06/15/75	16,493
*	528	*	*	TX528	12/06/79	38,905
*	528	*	*	AZ528	05/23/84	26,097
*	528	*	*	MD528	01/01/95	17,724
6 out-of-state for Buffalo (528)					**Totals**	**$130,061**
*	532	*	*	FL532	03/29/74	15,945
*	532	*	*	FL532	09/18/79	12,397
*	532	*	*	FL532	05/24/84	14,133
3 out-o-state cases for Canandagua (532)					**Totals**	**$42,475**
*	670	*	*	NC670	02/24/71	26,582
*	670	*	*	FL670	02/03/82	12,176
*	670	*	*	FL670	04/27/88	29,233
3 out-of-state cases for Syracuse (670)						**$67,991**
Total 28 out-of-state cases for VISN 2						**$531,347**

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Table V.3 Footnotes:

[1] WCP case included in initial targeted group.

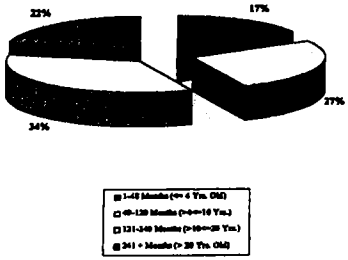
[2] Evidence that WCP Claimant is deceased.

(File name on enclosed PC floppy Disk One is [*V02OUTST.xls*].)

APPENDIX V

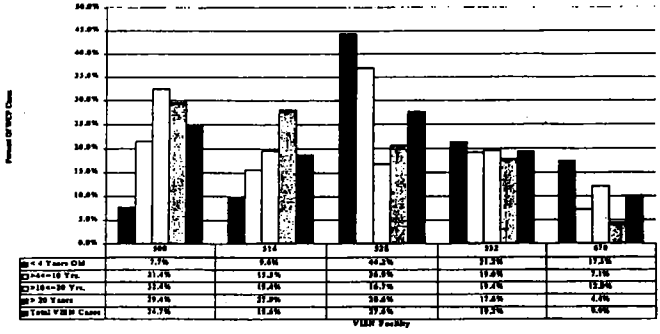
Pie Chart

Percent Of 312 VISN 2 WCP Cases By Age Groups



Bar Chart

Aging Of 312 VISN 2 WCP Claims By Facility and Group



	500	514	528	532	670
< 4 Years Old	7.7%	9.6%	44.2%	21.2%	17.3%
>4<=10 Yrs.	31.4%	15.3%	30.8%	19.6%	7.1%
>10<=20 Yrs.	33.4%	19.4%	16.3%	19.4%	12.8%
> 20 Years	29.4%	27.9%	20.6%	17.6%	4.4%
Total VISN Cases	24.7%	18.6%	27.6%	19.2%	9.9%

Table V.4

Top 10 Occupation Codes For 172 WCP Records In VISN 2 Primary File

Occupation Code Definition	Occupation Code	VISN 2 Records	VISN 2 Rank	VHA Records Primary File	VHA Rank
*Nurse (per DOL-AQS)	61	37	1	526	1
Practical Nurse	G0620	21	2	170	6
Nurse	G0610	18	3	255	4
Food Service Working	W7408	14	4	118	7
Nursing Assistant	G0621	12	5	213	5
* Mess Attendant (per DOL-AQS)	56	9	6	74	9
* Unclassified Occupation (per DOL-AQS)	99	7	7	323	3
* Janitor (per DOL-AQS)	40	6	8	47	13
Unknown / Missing Occupation Code	Z9999	6	8	416	2
Medical Clerk	G0679	3	9	50	12
Custodial Worker	W3566	3	9	111	8
*Office Worker (per DOL AQS)	62	2	10	69	10
Sewing Machine Operating	W3111	2	10	3	Below 30
Painting	W4102	2	10	13	Below 30
Carpentry	W4607	2	10	14	Below 30
Motor Vehicle Operating	W5703	2	10	14	Below 30
Warehouse Working	W6907	2	10	15	Below 30
Laundry Working	W7304	2	10	13	Below 30
Total For VISN 2 Top 10		150			

Files on PC floppy disks are included with this protocol package to aid in case management and oversight of WCP

The following files are on the two PC floppy disks included with this protocol package:

All files were created using Microsoft Office 1997 and Microsoft Word and Excel version 97 SR-1 for earlier version format please contact Jim Farmer at (202) 565-8457.

Disk One

- *V02MATRIX.xls* – This Microsoft Excel workbook contains two worksheets. One worksheet is a matrix for the 3,263 records in the primary file for all 22 VHA VISNs. The other worksheet is a matrix for the 312 records in VISN 2. This workbook is the supporting information for Table V.1 and Table VIII.1.
- *V02TARCS.xls* – This Microsoft Excel workbook contains two worksheets of the detail records for the 97 WCP claims in the initial targeted group of high compensation with little or no medical costs. One worksheet is supporting information for Table V.2. The other worksheet is detail information for the 97 cases, including the following red flag indicators:

- Compensation and medical range codes which were used to develop the matrixes (e.g., C9 equals compensation over $55,000).
- Out-of-state codes used to identify claimants living out of state. The code contains the state of resident and the facility station number (e.g., FL670 equals claimant living in Florida with compensation being paid by VHA facility station number 670 located in Syracuse, NY).
- Occupation Codes which are used to identify marketable job skills. Definition of codes can be obtained form VA's WC-MIS or DOL's AQS automated systems. Additionally, definitions of occupation codes from WC-MIS are included in the ***OCCPCD.xls*** file included with this protocol package.

- ***V02OUTST.xls*** – This Microsoft Excel workbook contains two worksheets for out-of-state claimants. One worksheet is the supporting information for Table V.3 on page 38. The other worksheet contains frequency distribution by state of the 1,032 out-of-state claimants for all VISNs.
- ***V02AGING.xls*** – This Microsoft Excel workbook contains two worksheets on aging of claimants. One of the worksheets is the summary information for all VHA facilities. The other worksheet is aging of cases just for VISN 2. This workbook contains supporting information for pie and bar charts in Appendix V and VIII.
- ***V02OCCP.xls*** – This Microsoft Excel workbook contains two worksheets on frequency distribution of occupation codes. One worksheet is frequency for all 22 VISNs. The other is frequency for just for VISN 2. This workbook contains the supporting information for Table V.4 and Table VIII.4.
- ***V02DETAIL.xls*** – This Microsoft Excel workbook contains three worksheets of detail records for VISN 2. One worksheet for each group of records (primary, greater than 65 years old, and claims less than 4 years old).
- ***VHASUM.xls*** – This Microsoft Excel workbook contains summary data for all VHA cases and supporting information for tables and charts in Appendix VIII.

Disk Two

- ***WCPPROTOCOL.doc*** – This Microsoft Word document is a copy of this protocol package and appendices.
- ***HANDBOOK.doc*** – This Microsoft Word document is a copy of the WCP handbook included with this protocol package.
- ***CRWKSHT1.doc*** – Is a Microsoft Word document of the case review worksheet used for initial analysis and review of the WCP claim. (*A discussion on how this form is used is presented in Appendix VI and the form is on pages 51 - 56.*)
- ***CRWKSHT2.doc*** – Is a Microsoft Word document of the case review worksheet used in case reviews at the OWCP District Office case file review. (*A discussion on how this form is used is presented in Appendix VI and the form is on page 57.*)

APPENDIX V

- *CRWKSHT3.doc* – Is a Microsoft Word document of the case review worksheet used for final classification and summary of the claim review. It can also be used to refer suspected fraud to the OIG. (*A discussion on how this form is used is presented in Appendix VI and the form is on page 59. A discussion on how to refer suspected fraud to the OIG is presented in Appendix VII on pages 61 - 62*)

APPENDIX V

PC Floppy Disks Containing Microsoft Word and Excel file discussed on pages 40 – 42.

Individual VISN protocol packages include two PC floppy disks; however, there are no disks included with this generic protocol package.

CASE REVIEW AND FRAUD DETECTION/REFERRAL

APPENDIX VI

CASE REVIEW INSTRUCTIONS AND WORKSHEETS

This protocol package will assist in case management of WCP claims through automated analysis of cases to prioritize WCP cases with the highest potential for removal from the rolls or potential fraud. Once the WCP cases have been prioritized, individual case reviews are needed to identify actions needed to remove the claimants from the rolls and to identify potential fraud. Specific instructions, including worksheets to aid in review and analysis, for case reviews are presented in this section. Additionally, this section discusses the documents that will be reviewed and indicators of fraud. (*A detail discussion on fraud and procedures for referring suspected fraud to the OIG is presented in Appendix VII on pages 61 - 62.*)

Procedures for Implementing a WCP Case Management and Review Process

Based on our review efforts in VISN 2 and 22, we believe that the best way to organize and implement this process is as follows:

- Appoint a VISN WCP Coordinator to oversee the implementation of the OIG protocol package and case reviews at individual VISN facilities.
- Publicize the review and request information on potential fraud (e.g., claimants working other jobs). This could be accomplished by establishing toll free (hotline) telephone numbers or specific contact points at facilities.
- Coordinate review efforts with the OWCP District Office to establish procedures for requesting opinions or interpretations of information in case files and to expedite requests for additional information such as up-dated income/earning forms.
- Dedicate some positions that WCP Specialists can modify to make job offers to WCP claimants who are able to work.
- Review the WCP cases identified in the initial targeted group and then review all out-of-state claimants. Review additional cases identified through other sources such as hotline or facility WCP Specialist.
- Review VA's WC-MIS to identify current case status and other information. If there is not a case file, then one needs to be established using print screens from the WC-MIS. Additional documents can be obtained from review of OWCP case file.
- If there is evidence that the WCP claimant is deceased, a review should still be conducted to ensure that benefits were appropriately adjusted, dependents are still entitled to WCP benefits, and no erroneous medical bills have been paid on the claim.
- Review VA and OWCP case files to identify actions needed to remove claimants from the rolls and to identify indicators of potential fraud.
- Ensure that copies of specific forms or documentation that support case review conclusions or fraud referrals are attached to the protocol package case review worksheets (see pages 48 - 59).

- Perform an analysis of results to determine impact of review efforts in reducing WCP costs and to refer suspected fraudulent claims to the OIG Office of Investigations using procedures discussed on pages 61 - 62.
- Lifetime benefits are calculated by multiplying total CBY compensation payments by the number of years until the claimant reaches age 70. For example, a 50-year old claimant who received $30,000 in compensation payments in CBY 1997 and classified as "removal from rolls" would have a projected lifetime savings of $600,000 [{70 – 50 = 20} X $30,000 = $600,000].

Selected Case Documents Should be Reviewed to Identify Actions Needed for Removal of Claimants From WCP Rolls and to Identify Indicators of Potential Program Fraud

Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation (OWCP form CA-1) - This is the basic claim form for traumatic injury. The information contained on this form is used throughout the processing of a claim. Very important information on this form can be extracted and used to verify automated data. Information from this form includes:

- Employee Name
- Occupation
- Social Security Number
- Date of Birth
- Date of Injury
- Description of Injury
- Employee Signature
- Witness Statement
- Official Supervisor Report
- Name and Address of Physician

Notice of Occupational Disease and Claim for Compensation (OWCP form CA-2) - Occupational diseases and injuries are reported on form CA-2 and include similar information to form CA-1. Claims for compensation relating to an "occupational disease" are more complicated than for a traumatic injury. This is due principally to the fact that the disease or illness on which the claim is based is not always easily connected to the employee's occupation and/or work environment. In fact, the disease or illness may occur frequently within the general population, and factors unrelated to the job may equally or more frequently be identified as the cause.

Notice of Employee's Recurrence of Disability and Claim for Compensation (OWCP form CA-2a) - A recurrence is defined as a spontaneous return or increase of disability due to a previous injury or occupational disease without intervening cause. A recurrence differs from a new injury in that with a recurrence, no event other than the previous injury accounts for the disability.

Report of Termination of Disability and/or Payment (OWCP form CA-3) - Sometimes, return to duty information is shown on form CA-1 when the injury is first reported. If not, the agency may complete form CA-3 and submit it to OWCP when entitlement to COP ends, the employee returns to work, or the disability ceases.

Claim for Compensation on Account of Traumatic Injury or Occupational Disease (OWCP form CA-7) - This form is used to claim compensation for wages lost due to a work-related traumatic injury after the expiration of COP or for an occupational disease.

Claim for Continuing Compensation on Account of Disability (OWCP form CA-8) - This form is a claim for continuing compensation for both traumatic injury and occupational disease, and is submitted 10 days before the period claimed on form CA-7 (or a previously submitted CA-8) expires. CA-8 forms should be submitted until the employee is notified by OWCP that no additional CA-8's are needed, or until the employee returns to duty.

Medical Exams - A medical assessment should be regularly updated, at maximum every 3 years. An independent medical exam could have been requested to resolve discrepancies in medical opinions. Also, second opinion exams may be requested to resolve issues. The medical report could indicate if the claimant is working or engaging in a business.

Earning/Income Certification (OWCP form 1032) – This form is sent to the claimants to determine their qualifications for continued benefits or whether an adjustment is necessary. Claimants are instructed to report all income. Non-reporting of income on this form will be, in most cases, the key documentation needed for prosecution of false claims (fraud). Also, the claimant may report working on this form or engaging in a business and earning income. If the claimant is receiving income, this should be reported to OWCP and OIG Office of Investigations. Additionally, if a claimant reports a settlement, related to the injury, this should have been recouped to offset workers' compensation benefits.

Other forms might also contain pertinent information and should be reviewed. A complete listing of the basic forms, including some of the ones discussed above, and when to use them can be found in DOL's Publication CA-810 "A Handbook for Employing Agency Personnel" which can be obtain from OWCP. Additionally, external forms and letters such as report of earnings from the Social Security Administration are useful in case assessment and identification of fraud.

General Indicators of Program Fraud

WCP abuse is any practice that uses the WCP in a way that is contrary to either the intended purpose of the program or the law. Fraud occurs when someone knowingly and with intent to defraud, presents or causes to be presented, any written statement that is materially false and misleading to obtain some benefit or advantage, or to cause some benefit that is due to be denied. Workers' compensation is an essential employee benefit, entitling those persons who are injured on the job to compensation while they recover; however, program cost could be reduced through elimination of fraudulent WCP claims. Program fraud indicators are discussed below:

- Employee has a history of frequent accidents or injuries with no witnesses. Employees could simply fake or prolong injuries to collect payments. Through query of the WC-MIS using an employee's social security number, employees with a history of WCP claims and current multiple claims can be identified.
- Evidence in WCP file indicates that witnesses disagree with the claimant's version. Specifically look to see if the witness statement contradicts the employee's account of the accident. Form CA-1, item 16 will include witness statements concerning an accident.
- Claimant has a marketable occupation (doctor, nurse, computer technician, or other hi-tech job). If claimants have a marketable occupation, the claimants could be working and not reporting income to OWCP.
- Any information (in the case file) that indicates the claimant is working or engaging in business activities. Sometimes the case file will have unsolicited information such as: correspondence, news articles, pictures, or other evidence that indicates the claimant could be working.
- The claimant reported working and income on form CA-7, CA-8, or 1032. Claimant may have reported working to OWCP, but benefits were not terminated or reduced because of an administrative error. However, if the claimant reported working intermittently and is found to be working continuously, this could be considered potential fraud.
- The independent medical exam does not support claimant's injury and contradicts with other medical reports. Also, if the claimant is receiving excessive medical treatment from a provider, the claimant could be in collusion with the doctor. The doctor could be processing fraudulent claims for unnecessary medical treatments, then splitting the payments for these fictitious treatments with the "injured " employee.
- The case file includes a request (from the claimant or third party) for income verification to purchase a home or other major item could indicate that the claimant has not reported income to OWCP.

OIG Designed Worksheets That Can be Used to Aid in Case Reviews and Identification of Potential Fraud

The case analysis and review worksheets provided with this protocol package were designed to provide a structured methodology for classifying WCP cases. OIG Case Review Worksheet 1 (pages 51 - 56) is a two part worksheet that should be used for review of VA's case file and to aid in review of OWCP's case file. The first part identifies primary documents that should be reviewed and a series of questions to answer. This worksheet also provides a methodology for documenting what forms need to be copied from the OWCP case file. The second part provides a methodology for preliminary classification of the WCP case based on review of VA's case file. This worksheet should be used through out the case review to record and document the review process and used in conjunction with the OWCP case file review to ensure that appropriate documents are reviewed and copied. OIG Case Review Worksheet 2 (page 57) should be used to record documents copied from the OWCP case file and to document any request for OWCP actions. A copy of this form should be filed in the OWCP case file for future references. OIG

Case Review Worksheet 3 (page 59) provides a methodology on final classification of a WCP case and it can be used for referral of suspected program fraud. Examples of our case review classifications are presented below.

- When reviewing cases and answering questions it is determined the claimant has work capabilities (e.g., medical report state claimant could work 6 hours a day with restrictions). Offer the claimant a job based on limitations. If there is no current medical information, then request the information from the treating physician. Ask for specific limitations and residual effects of work-related injury. If properly coordinated with OWCP, the facility will be able to make the request and prepare a job description for OWCP approval. This would be classified as "removal from rolls" for the purpose of this protocol package.
- It is possible that through review of VA and OWCP case files evidence to support residual effects of work-related injury can not be found or medical information that concludes there are no residual effects is found. It is also possible that OWCP staff overlooked this information. A request for determination of continued payment of compensation could be made using OIG Case Review Worksheet 2 (page 57). This case would be classified as "case management" for the purpose of this protocol package.
- Review of medical reports shows indicators that the claimant is working part time or full time yet no earnings are reported on OWCP form 1032 for period covered in medical reports. Copies of medical report and OWCP 1032 would be made and case referred to OIG, using OIG Case Review Worksheet 3 (page 59), following procedures outlined on pages 61 - 62. This case would be classified as "fraud referral" for the purpose of this protocol package.
- A claimant from a facility in VISN 2 (upstate New York) is living in Florida. Through review of OWCP records, it has been determined that currently the file is located at the OWCP District Office in Jacksonville, FL, and follow up with this office is needed to obtain current medical and income information. This case would be classified as "out-of-state" for the purpose of this protocol package. Additionally, it may be possible that a VHA facility in Florida could offer the claimant a job which would mean the case would be classified as "removal from rolls" for the purpose of this protocol package.
- Review of all the documentation in VA and OWCP case files shows no indicators of potential fraud and continued disability from work related injury. This case would be classified as "no actions needed" for the purpose of this protocol package.
- Review of WC-MIS or VA's WCP cases file shows that compensation payments have stopped because the claimant has returned to work or elected disability retirement. This case would be classified as "no actions needed" for the purpose of this protocol package.

APPENDIX VI

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 1 of 6)

PART I

WCP Case Identifying Information:

Claimant's Name: _____ SSN: _____ DOB: _____

OWCP Case No.: _____ Date of Injury: _____

Facility (Name/No.): _____

Analysis and Review:

This section is designed to aid in the analysis and review of a WCP case by identifying primary documents that need to be reviewed during case analysis. If the documents are not in VA's case file then a copy should be obtained from the OWCP case file. An additional column is provided to record notes to refer to when reviewing the OWCP case file. Although all documents in the case file should be reviewed, these primary documents are ones where indicators of potential fraud and information as to claimant's ability to work are found.

Documentation	Attached or in VA's case file	Needed	OWCP District For Further Development
CA-1-Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay (COP). This is the basic claim form for traumatic injury.			
CA-2 – Notice of Occupational Disease and Claim for Compensation. Claims for compensation relating to an "occupational disease" are more complicated than for traumatic injuries.			
CA-2a – Notice of Employee's Recurrence of Disability and Claim for Compensation. This form is used to report a recurrence of disability.			

APPENDIX VI

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 2 of 6)

Analysis and Review: (continued)

Documentation	Attached or in VA's case file	Needed	OWCP District For Further Development
CA-7- Claim for Compensation on Account of Traumatic Injury or Occupational Disease. This form is used to claim compensation for wage loss due to a work-related traumatic injury after the expiration of COP or for an occupational disease.			
CA-8- Claim for Continuing Compensation on Account of Disability. This form is a claim for continuing compensation for both traumatic injury and occupational disease.			
Current Medical Report- A medical assessment should be updated at least every 3 years.			
Independent Medical Exam. - To resolve discrepancies in medical opinions, OWCP will request an independent medical exam. Also, second opinion exams may be requested.			
OWCP form 1032 -Income Certification - This form is sent to the claimant periodically to request income information and verification of work status.			

APPENDIX VI

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 3 of 6)

Analysis and Review: (continued)

These questions are designed to aid in analysis and review of WCP cases by highlighting areas where potential fraud indicators are found and should be answered after the above documents have been obtained. Additionally, these questions will aid in identifying and prioritizing actions needed to remove claimants from WCP rolls (i.e., identifying work restrictions, offering claimant work, etc.).

QUESTIONS (Refer to CA-1, CA-2, CA-7, CA-8 or other pertinent documents)	F [1]	YES	NO	Comments
1. Did the alleged injury occur immediately following disciplinary action, notice of probation, demotion, or being passed over for promotion? (**Source:** correspondence from HRM and personnel files.)				
2. Claimant has a history of workers' compensation claims. (**Source:** WCP claim file or WC-MIS.)				
3. Does the claimant have any work capacity? (**Source:** medical reports, 1032s, etc.)				
4. The alleged injury relates to a pre-existing injury or health problem. (**Source:** medical reports or employee health files.)				
5. Claimant uses a post office box for address. (**Source:** CA-1 or CA-2.)				
6. Claimant's version of the accident has inconsistencies. (**Source:** CA-1 or CA-2.)				
7. There are no witnesses to the accident or witnesses report of the accident conflict with the applicant's version or with one another. (**Source:** CA-1 or CA-2.)				
8. Facts regarding accident are related differently in various medical reports, statement, and supervisor's first report of injury. (**Source:** CA-1 and medical reports.)				
9. Medical treatment is inconsistent with injuries originally alleged by employee. (**Source:** CA-1 and medical reports.)				

APPENDIX VI

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 4 of 6)

Analysis and Review: (continued)

QUESTIONS (Refer to CA-1, CA-2, CA-7, CA-8 or other pertinent documents)	F[1]	YES	NO	Comments
10. Claimant undergoes excessive treatment for soft tissue injuries. (**Source:** medical reports.)				
11. The injury was not reported in a timely manner. (**Source:** CA-1 or CA-2.)				
12. Does the claimant have a marketable skill? (**Source:** CA-1 or CA-2.)				
13. Did the claimant report any income? (**Source:** CA-7, CA-8, or CA-1032.)				
14. Has the claimant relocated since being on WCP? (**Source:** Correspondence or WC-MIS.)				

[1] Check here if there are indicators of potential fraud.

Additional documents and comments.

Documentation/Comments	Attached or in VA's case file	Needed	OWCP District For Further Development

APPENDIX VI

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 5 of 6)

PART II

Preliminary Classification:

This part of the worksheet should be used throughout the case review to record and document the review process. Each section is provided to assist with different parts of the review. For example, the first section below would be used to record and document information needed for the DOL OWCP case file review. The section on fraud would be used to record and document indicators of fraud (e.g., medical report discusses work that is not reported on OWCP form 1032). Copies of all supporting documents such as OWCP form 1032, CA-1, or medical reports that contain pertinent information to reaching conclusions should be attached to this form.

Notes for DOL OWCP Review:

_____

_____

_____

_____

_____

_____

_____

_____

Indicators of Fraud:

Refer To OIG	
YES	NO

_____

_____

_____

_____

_____

_____

_____

_____

APPENDIX VI

OIG CASE REVIEW WORKSHEET 1

Initial Analysis and Review of WCP Cases (page 6 of 6)

Case Management Issues:

_____
_____
_____
_____
_____
_____
_____

Conclusions:

Use this section to record conclusions reached based on review and analysis. The case should be categorized into one of the categories listed below. Also, list any additional actions that are needed. Additional notes and documents concerning conclusions and categorization should be attached.

_____
_____
_____
_____
_____

Removal From WCP Rolls.	Case Management - List Specific Actions Needed.	Out-of-State.	No Actions Needed for this Review - Continue to Monitor.

Additional Actions Needed:

_____
_____
_____
_____

Prepared By:_____Date:_____Phone No.:_____
Reviewed By:_____Date:_____Phone No.:_____

APPENDIX VI

OIG CASE REVIEW WORKSHEET 2

OWCP District Office Case Review Worksheet (page 1 of 1)

WCP Case Identifying Information:

Claimant's Name: _____ SSN: _____ DOB: _____

OWCP Case No.: _____ Date of Injury: _____

Facility (Name/No.): _____

Documents copied from DOL-OWCP case file:

During the Department of Veterans Affairs site visit on _____ the following documents from the claimant's OWCP case file were copied. **(insert date)**

_____

_____

_____

_____

_____

_____

_____

_____

Additional Actions Needed:

Based on this review we are requesting that the OWCP District Office initiate the following actions or respond to the following questions.

_____

_____

_____

_____

_____

_____

_____

_____

Prepared By:_____Date:_____Phone No.:_____

(Print Name): _____ VAMC/VISN: _____

APPENDIX VI

OIG CASE REVIEW WORKSHEET 3

Final Classification and Case Review Summary Worksheet (page 1 of 1)

WCP Case Identifying Information:

Claimant's Name: _____ SSN: _____ DOB: _____

OWCP Case No.: _____ Date of Injury: _____

Facility (Name/No.): _____

Summary Case Review:

Briefly summarize results of case file reviews (VA and OWCP). Include discussion of information/documents used to reach conclusions, including indicators of fraud.

_____

_____

_____

_____

_____

_____

_____

_____

Final Category:

Removal From WCP Rolls.	Refer To OIG YES NO	Case Management – List Specific Actions Needed.	No Additional Actions Needed for this Review - Continue to Monitor.
		Out-of-state.	

Additional Actions Needed:

_____

_____

_____

_____

_____

Prepared By:_____ Date:_____ Phone No.:_____

Reviewed By:_____ Date:_____ Phone No.:_____

APPENDIX VII

PROCEDURES FOR REFERRING SUSPECTED FRAUD TO THE OFFICE OF INSPECTOR GENERAL

Workers' compensation is an essential employee benefit, entitling those persons who are injured on the job to compensation while they recover. However, OIG efforts in the WCP area have shown that a small percentage of employees fraudulently submit WCP claims or, after establishment of a WCP claim, commit program fraud. WCP fraud occurs when someone knowingly and with intent to defraud, presents or causes to be presented, any written statement that is materially false and misleading to obtain some benefit or advantage. Our audit of WCP costs showed that an estimated $9 million of CBY 1996 WCP costs could potentially be the result of program fraud. The instructions and worksheets contained in this protocol package are geared toward identifying indicators of potential WCP fraud. If potential WCP fraud is identified, the WCP Specialist should contact the OIG Office of Investigations in Washington, DC or the nearest OIG Field Office of Investigation to obtain guidance on what evidence should be collected and what needs to be included in the case referral package.

Use of WCP Case Profiles Can Aid in Identifying Indicators of Potential Fraud

Potential indicators of fraud are discussed in Appendix VI on pages 47 - 48. Although there are no standard case characteristics that always indicate WCP fraud, the following WCP case characteristics do indicate that additional scrutiny is needed in case review to identify potential program fraud:

- The injury occurs prior to or just after a job termination, completion of temporary work assignment, or end of seasonal work.
- Employee reports an alleged injury immediately following disciplinary action, notice of probation, demotion, or being passed over for promotion.
- Employee has a history of personal injury, workers' compensation claims, and/or of reporting subjective injuries.
- There are no witnesses to the accident or witness's version of the accident conflict with the employee's version or with one another.
- Employee fails to report the injury in a timely manner or employee's version of the accident has inconsistencies.
- The alleged injury relates to a preexisting injury or health problem.
- Employee uses addresses of friends, family, or post office boxes; has no known permanent address and moves frequently.
- Employee avoids use of U.S. mail and hand-delivers documents.
- Employee frequently changes physicians, or does so after being released to return to work.
- Employee undergoes excessive treatment for soft tissue injuries.

- Medical treatment is inconsistent with injuries originally alleged by employee. The nature of the alleged injury conflicts with claim file documentation.
- The claimant cancels or fails to keep appointments, or refuses diagnostic procedures to confirm injury.
- Diagnosis is inconsistent with the treatment rendered. The alleged injuries are all subjective.
- Medical bills are copies of originals, without dates or service or description of office visits. Address of medical provider is only a post office box.
- Medical facility uses multiple names or changes name often or the medical reports appear to be "boilerplate" reports.

If Suspected Fraud is Identified Contact the OIG Office of Investigations for Guidance on Developing the Case

If potential fraud is suspected, contact the local OIG Field Office of Investigations or contact the Program Director, Benefits Fraud (51B) at (202) 565-8595 for guidance on how to develop the indicators of fraud and what information needs to be included in the case referral package. The following is a list of OIG Field Offices of Investigations:

Northeast Field Office of Investigations (51NY)
Special Agent-In-Charge
245 West Houston Street
3rd Floor
New York, NY 10014
Telephone (212) 807-3444 or
(212) 807-3443

Southeast Field Office of Investigations (51SP)
Special Agent-In-Charge
P.O. Box 446
Bay Pines, FL 33744
Telephone (727) 398-9559 or
(727) 398-6661 Ext. 4820

Western Field Office of Investigations (51LA)
Special Agent-In-Charge
P.O. Box 241516
Los Angeles, CA 90024
Telephone (310) 268-4269 or
(310) 478-3711 Ext. 49648

Central Field Office of Investigations (51CH)
Special Agent-In-Charge
Lock Box 66319
AMF O'Hare, IL 60666
Telephone (708) 216-2676 or
(708) 216-2358

VHA SUMMARY DATA

APPENDIX VIII

CBY 1997 SUMMARY DATA FOR VETERANS HEALTH ADMINISTRATION FACILITIES

The information in this appendix is a summary analysis of the 6,513 VHA WCP claims that received compensation in CBY 1997. This data is presented for use in developing trends and comparison of VISN data to nation-wide data. The supporting data for the tables, graphs, and charts presented in this appendix is contained on the PC floppy Disk One included with this protocol package on page 43. (*File names and a discussion of the information contained in the files on this PC floppy disk is presented in Appendix V on pages 40 – 42.*)

Table VIII.1 below is the matrix of the 3,263 WCP claims from the VHA primary file. Information in this matrix can be compared to individual VISN matrix in Appendix V on page 33. This matrix was used to identify the 1,705 WCP claims in the targeted group for initial review and analysis.

Table VIII.1

Matrix Of 3,263 Records From Primary File For All VISNs

		$500.99 or less	$501 to $1,500.99	$1,501 to $2,500.99	$2,501 to $5,000.99	$5,001 to $15,000.99	$15,001 to $25,000.99	$25,001 to $40,000.99	$40,001 to $55,000.99	$55,001 or greater	Total For Medical
	Range Codes	C1	C2	C3	C4	C5	C6	C7	C8	C9	
M0	Negative Medical Costs	2	1	0	0	5	6	1	0	0	15
M1	No Medical Costs	26	62	43	97	284	243	67	5	9	836
M2	Medical Costs <= 500.99	15	45	30	64	259	274	78	8	6	779
M3	Medical Costs 501 – 1,500.99	16	22	11	31	194	194	64	6	2	540
M4	Medical Costs 1,501 – 2,000.99	3	2	3	16	39	57	21	6	0	147
M5	Medical Costs 2,001 – 2,500.99	6	5	2	10	33	45	18	5	2	126
M6	Medical Costs 2,501 – 5,000.99	4	11	9	28	86	134	52	10	4	338
M7	Medical Costs 5,001 – 10,000.99	1	6	10	17	62	116	49	7	1	269
M8	Medical Costs 10,001 – 25,000.99	2	1	3	9	42	65	27	4	3	156
M9	Medical Costs > 25,001	0	0	1	0	16	28	10	2	0	57
	Totals For Compensation	75	155	112	272	1,020	1,162	387	53	27	3,263
			Totals for >C5 and <M3 [1]			742	717	210	19	17	1,705

Table VIII.1 Footnotes:

[1] >C5 = Compensation greater than $5,001 and <M3 = Medical costs less than $1,500.

(The file name for the above matrix that is enclosed on PC floppy Disk One is *[VHASUM.xls]*).

Table VIII.2 below shows the distribution of the 3,263 WCP claims in the Primary file and the 1,705 WCP claims in the targeted group by VISN. The primary file totals include the targeted group totals. This table can be used for development of trends and comparison of VISN data to nation-wide data.

Table VIII.2

Distribution of 3,263 VHA WCP Claims in Primary File And 1,705 VHA WCP Claims in Targeted Group

VISN No.	No. Cases In Targeted. Group.	Percent Of 1,705	No. Cases In Primary File	Percent Of 3,263
1	103	6.0%	178	5.5%
2	97	5.7%	172	5.3%
3	151	8.9%	240	7.4%
4	106	6.2%	215	6.6%
5	69	4.0%	146	4.5%
6	80	4.7%	140	4.3%
7	91	5.3%	162	5.0%
8	117	6.9%	184	5.6%
9	53	3.1%	113	3.5%
10	64	3.8%	138	4.2%
11	54	3.2%	107	3.3%
12	69	4.0%	146	4.5%
13	59	3.5%	96	2.9%
14	18	1.1%	41	1.3%
15	35	2.1%	66	2.0%
16	120	7.0%	254	7.8%
17	52	3.0%	126	3.9%
18	46	2.7%	116	3.6%
19	40	2.3%	108	3.3%
20	64	3.8%	104	3.2%
21	69	4.0%	131	4.0%
22	148	8.7%	280	8.6%
Totals	1,705	100.0%	3,263	100.0%

Table VIII.3 on pages 65 - 66 shows the distribution of the 1,032 WCP claims with an out-of-state address by state. The totals from the three files will not always equal the totals for the state because there are 36 WCP claimants that were 65 or older and filed a claim for work related injury less that 4 years ago. These claimants are counted in two of the files (Claimants 65 and over file and Injury less that 4 years ago file). Supporting data for this table is contained on the PC floppy Disk One (file named ***OUTST.xls***) included with this protocol package on page 43. This file also contains a worksheet of out-of-state by facility which can be used to identify opportunities to share or exchange job offers for claimants able to work.

Table VIII.3

Distribution Of 1,032 Out-Of-State WCP Claims By State

State	State Abbreviation	Total Records 65 and Over File	Total Records Less Than 4 Years	Total Records Primary File	Total Records For State
Alabama	AL	7	1	14	22
Alaska	AK	0	0	0	0
Arizona	AZ	15	5	24	44
Arkansas	AR	12	0	6	18
California	CA	16	2	17	35
Colorado	CO	8	0	4	12
Connecticut	CT	2	0	3	5
Delaware	DE	2	0	4	6
District of Columbia	DC	0	0	0	0
Florida	FL	76	1	75	152
Georgia	GA	14	3	21	38
Hawaii	HI	1	0	1	2
Idaho	ID	3	0	6	9
Illinois	IL	6	0	11	17
Indiana	IN	2	1	12	15
Iowa	IA	5	1	4	9
Kansas	KS	3	2	4	9
Kentucky	KY	13	3	15	31
Louisiana	LA	3	0	6	9
Maine	ME	2	0	2	4
Maryland	MD	7	10	33	50
Massachusetts	MA	5	0	3	8
Michigan	MI	1	1	10	12
Minnesota	MN	5	3	8	16
Mississippi	MS	8	0	8	16
Missouri	MO	7	1	10	18
Montana	MT	1	0	2	3
Nebraska	NE	3	0	3	6
Nevada	NV	10	0	14	24
New Hampshire	NH	4	3	7	14
New Jersey	NJ	9	9	11	28
New Mexico	NM	7	0	8	15
New York	NY	9	0	10	19
North Carolina	NC	10	1	14	25
North Dakota	ND	1	0	2	3
Ohio	OH	7	2	11	20
Oklahoma	OK	4	0	5	0

Table VIII.3 (continued)

Distribution Of 1,032 Out-Of-State WCP Claims By State

State	State Abbreviation	Total Records 65 and Over File	Total Records Less Than 4 Years	Total Records Primary File	Total Records For State
Oregon	OR	12	0	8	20
Pennsylvania	PA	10	2	11	23
Rhode Island	RI	0	1	0	1
South Carolina	SC	9	1	10	20
South Dakota	SD	7	0	6	13
Tennessee	TN	7	1	17	25
Texas	TX	16	1	29	46
Utah	UT	0	0	3	3
Vermont	VT	2	0	2	4
Virginia	VA	15	3	17	35
Washington	WA	21	3	23	47
West Virginia	WV	2	1	4	7
Wisconsin	WI	19	5	22	45
Wyoming	WY	0	0	1	1
Puerto Rico	PR	3	0	9	12
Guam	GU	0	0	1	1
Foreign Address	FA	2	0	4	6
Totals		**413**	**67**	**555**	**1,032**

Table VIII.4 on pages 67 - 68 is a listing of the 30 occupational codes for the 3,263 VHA cases in the primary file. This table can be used to compare VISN occupational codes (Table V.4 on page 40) to nation-wide codes. The supporting information for this table is on the PC floppy Disk One (file name *VHASUM.xls*) included with this protocol package on page 43.

Aging of the WCP claims is another tool that is useful in analysis and prioritization of cases for review as discussed in Appendix V on page 34. The pie chart on page 68 shows the percentage of the 6,513 WCP claims with compensation payments in CBY 1997 in the four age groups listed in Appendix V on page 34. The bar chart on page 69 shows the percentage of the 6,513 WCP claims in age groups by VISNs. This information is useful in developing trends and can be used to compare VISN data to nation-wide data. The supporting data for these charts is on the PC floppy Disk One (file name *VHASum.xls)* included with this protocol package on page 43.

Table VIII.4

Top 30 Occupation Codes For 3,263 WCP Records In Primary File

Occupation Code Definition	Occupation Code	Total Records In Primary File	VRA Rank
*Nurse (per DOL AQS)	61	526	1
Unknown / Missing Occupation Code	Z9999	416	2
*Unclassified Occupation (per DOL AQS)	99	323	3
Nurse	G0610	255	4
Nursing Assistant	G0621	213	5
Practical Nurse	G0620	170	6
Food Service Working	W7408	118	7
Custodial Worker	W3566	111	8
*Mess Attendant (per DOL AQS)	56	74	9
*Office Worker (per DOL AQS)	62	69	10
*Ward Attendant (per DOL AQS)	96	55	11
Medical Clerk	G0679	50	12
*Janitor (per DOL AQS)	40	47	13
Misc. Clerical & Assistance	G0303	41	14
*Nurse (per DOL AQS)	V0610	40	15
*Laundry worker (per DOL AQS)	43	28	16
Police	G0083	27	17
*Laborer (per DOL AQS)	42	22	18
*Cook (per DOL AQS)	15	20	19
Mail & File	G0305	20	19
Secretary	G0318	18	20
Medical Supply Aid & Technician	G0622	18	20
Medical Technician	G0645	18	20
Social Work	G0185	17	21
*Pharmacy Technician (per DOL AQS)	G0661	16	22
Warehouse Working	W6907	15	23
Clerk Typist	G0322	14	24
Diagnostic Radio Technician	G0647	14	24
Carpentry	W4607	14	24
Motor Vehicle Operating	W5703	14	24
*Mechanic/Repairman (per DOL AQS)	53	13	25
Painting	W4102	13	25
Laundry Working	W7304	13	25
Foreman (per DOL AQS)	31	12	26
Medical Machine Technician	G0649	12	26
Electrician	W2805	12	26
*Electrician/Lineman (per DOL AQS)	25	11	27

Table VIII.4 (continued)

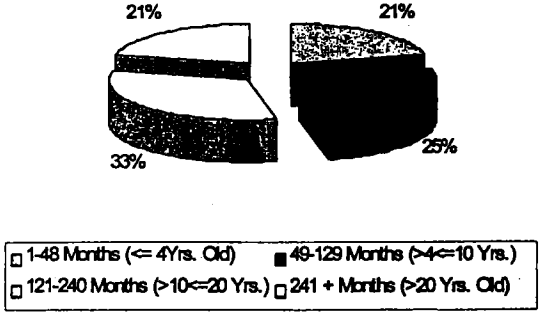
Top 30 Occupation Codes For 3,263 WCP Records In Primary File

Occupation Code Definition	Occupation Code	Total Records In Primary File	VHA Rank
*Laboratory Worker (per DOL AQS)	41	11	27
Misc. Occupations	W5201	11	27
*Charwoman (per DOL AQS)	09	10	28
*Patrolman (per DOL AQS)	67	9	29
*Carpenter (per DOL AQS)	08	9	29
*Painter (per DOL AQS)	66	8	30
Telephone Operating	G0382	8	30
General Health Science	G0601	8	30
Pipefitting	W4204	8	30
Total Records For Top 30		93	

* Source of definition is DOL's Agency Access System (AQS)

Pie Chart

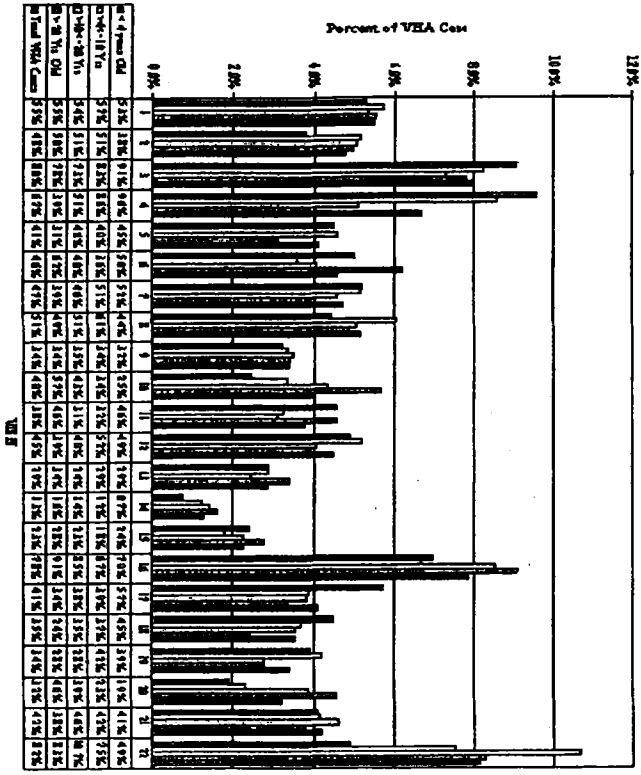
Percent Of 6,513 VHA WCP Cases By Age Groups



APPENDIX VIII

Bar Chart

Aging Of 6,513 WCP Claims By VISN

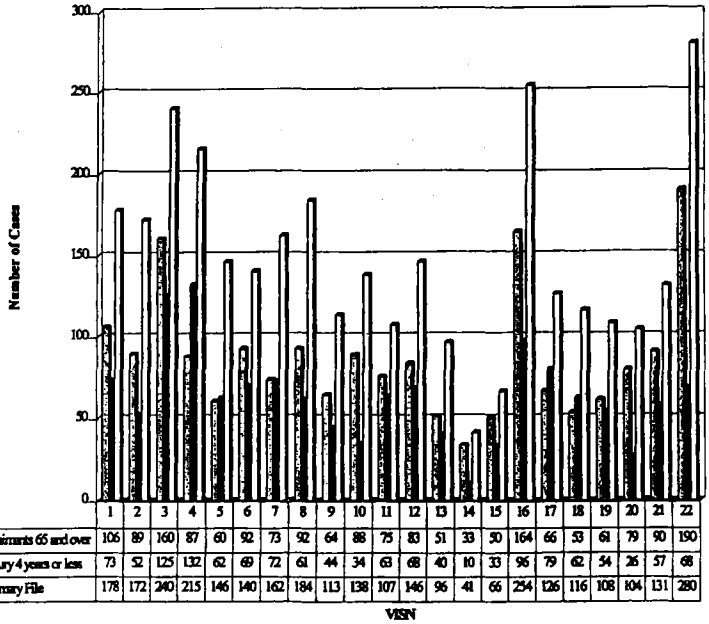


APPENDIX VIII

The bar chart below shows the case distribution of the 6,513 WCP claims by VISN and categories for this protocol package. The bar chart below shows the distribution of WCP costs for the 6,513 WCP claims by VISN and categories for this protocol package. The supporting data for these charts are on the PC floppy disk (Disk One file named *VHASUM.xls*) included in this protocol package on page 43.

Bar Chart

Distribution Of 6,513 WCP Claims By VISN And Categories

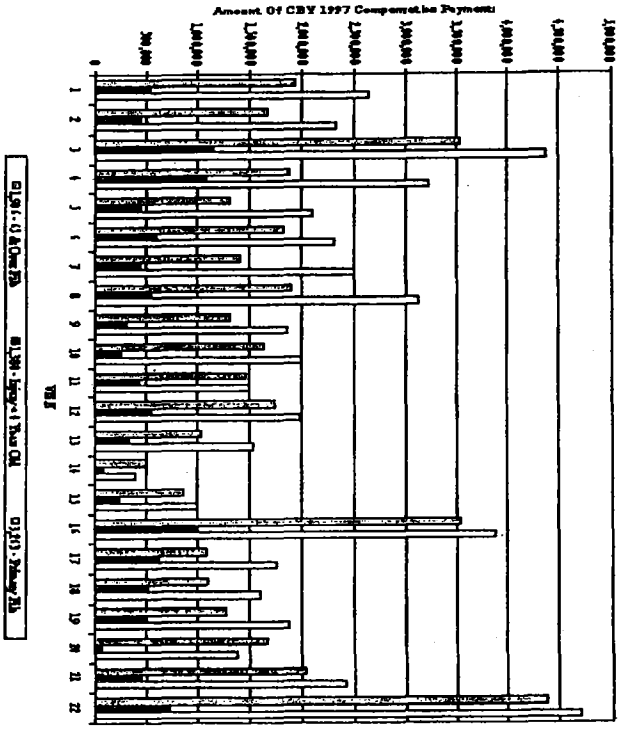


	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Claimants 65 and over	106	89	160	87	60	92	73	92	64	88	75	83	51	33	50	164	66	53	61	79	90	190
Injury 4 years or less	73	52	125	132	62	69	72	61	44	34	63	68	40	10	33	96	79	62	54	26	57	68
Primary File	178	172	240	215	146	140	162	184	113	138	107	146	96	41	66	254	126	116	108	104	131	280

APPENDIX VIII

Bar Chart

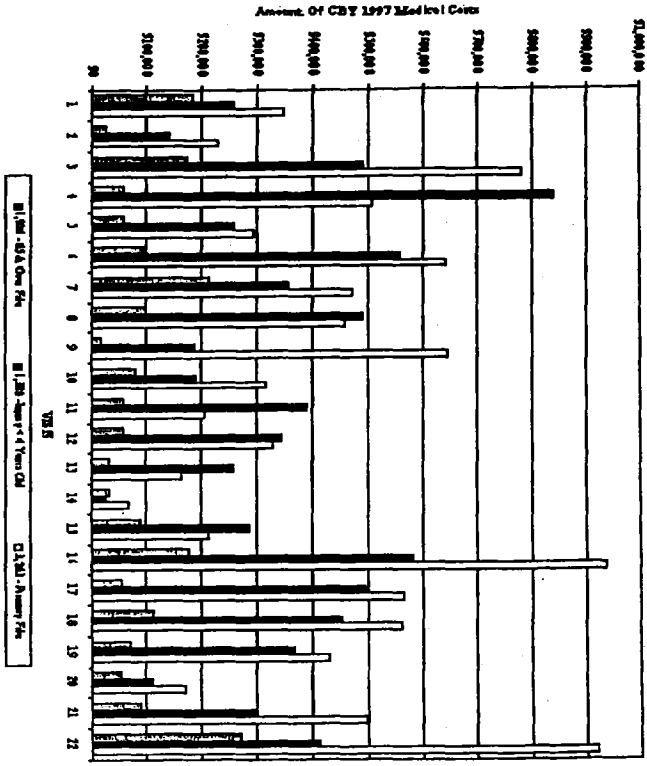
Distribution CBY 1997 Compensation Costs For 6,513 WCP Claims By VISN And Categories



APPENDIX VIII

Bar Chart

Distribution CBY 1997 Medical Costs For 6,513 WCP Claims By VISN And Categories



REFERENCES AND DISTRIBUTION

APPENDIX IX

REFERENCE MATERIAL

Laws and Regulations

The Federal Employees' Compensation Act (Public Law 103-3 Enacted February 5, 1993) - Is the law that established the current rules and regulations over the Federal WCP. This document can be obtained from the Department of Labor's (DOL) Internet site (http://www.dol.gov/dol/esa/public/regs/compliance/owcp/fecacont.htm).

Code of Federal Regulations Title 20, Parts 1-25 (Revised April 1, 1988) - Provides the statutory provisions for workers' compensation benefits to civilian officers and employees of all branches of the United States Government. (This Publication can be obtained from DOL upon request or from the DOL Internet site listed above.)

Department of Labor

DOL's OWCP administers the Federal Employees' Compensation program, one of three major disability compensation programs that provide wage replacement, medical treatment, vocational rehabilitation and other benefits to employees and their dependents for certain work-related injury or occupational disease. This includes adequate and timely benefits as well as assistance in returning to work when necessary. OWCP's customers include both injured workers and the employing agencies.

OWCP provides several training courses, which are free, to aid the employing agency in program administration. Additionally, OWCP will provide handbooks and other information upon request. We used **Injury Compensation for Federal Employees - A Handbook for Employing Agency Personnel** (DOL Publication CA-810 Revised February 1994) as a guide for developing and conducting our national audit. This handbook gives a program overview as well as guidelines on how to administer the WCP. Information on the Federal WCP as well as links to some state WCP Internet sites is available through DOL-OWCP's Internet site at (http://www.dol.gov/dol/esa/owcp_org.htm).

DOL also maintains an automated database on WCP cases that can be accessed through the Internet. The AQS is a secure Internet site that provides access to information on injury claims filed with the Division of Federal Employees' Compensation. Only an authorized user can obtain access to this site. Authorization can be obtained through VA's WCP Program Manager.

Note: The FECA regulations have been rewritten. The changes were posted in the Federal Register in November 1998 and will take effect on January 4, 1999. The new regulations will be contained in FECA Circular No. 99-04. This circular should be reviewed to determine the impact, if any, on case management of WCP claims.

Other

Several books and publications are available to assist WCP Coordinators and Specialists with understanding the WCP and medical report terminology.

Federal Sector Workers' Compensation published by Dewey Publications, Inc. deals exclusively with WCP claims involving federal employees. The book is a compilation and interpretation of the rules and regulations governing the Federal WCP, including case law of the Employees' Compensation Appeals Board. More information about this book and its cost can be obtained by calling Dewey Publications, Inc. at (703) 524-1355.

Generic ICD-9-CM Volumes 1, 2, and 3 (Hospital Version) published by Channel Publishing, Ltd. contains International Classification of Diseases (ICD-9) codes which can be used to ensure that medical treatment is related to the accepted work-related injury. Additionally, this publication can be used to ensure proper coding is maintained in automated systems. More information about this publication can be obtained from Channel Publishing, Ltd. at 1-800-248-2882.

Control of Communicable Diseases Manual published by the American Public Health Association discusses communicable diseases, causes, prevention, and control problems as well as effects and characteristic of the diseases. More information about this publication can be obtained from the American Public Health Association in Washington, DC.

APPENDIX X

PROTOCOL PACKAGE DISTRIBUTION LIST

VA Distribution
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Under Secretary for Health (105E)
Under Secretary for Benefits (20A11)
Under Secretary for Memorial Affairs (40)
General Counsel (02)
Assistant Secretary for Financial Management (004)
Assistant Secretary for Human Resources and Administration (006)
Assistant Secretary for Planning and Analysis (008)
Assistant Secretary for Public and Intergovernmental Affairs (002)
Acting Assistant Secretary for Congressional Affairs (009)
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Chief Network Officer (10N)
Veterans Integrated Service Networks 1 – 22

Non-VA Distribution
Office of Management and Budget
U.S. General Accounting Office
Director, Federal Employees Office of Workers' Compensation Programs
Congressional Committees:

- Chairman, Senate Committee on Governmental Affairs
- Ranking Member, Senate Committee on Governmental Affairs
- Chairman, Senate Committee on Veterans' Affairs
- Ranking Member, Senate Committee on Veterans' Affairs
- Chairman, House Committee on Veterans' Affairs
- Ranking Member, House Committee on Veterans' Affairs
- Chairman, Senate Subcommittee on VA, HUD, and Independent Agencies, Committee on Appropriations
- Ranking Member, Senate Subcommittee on VA, HUD, and Independent Agencies, Committee on Appropriations
- Chairman, House Subcommittee on VA, HUD, and Independent Agencies, Committee on Appropriations
- Ranking Member, House Subcommittee on VA, HUD, and Independent Agencies, Committee on Appropriations
- Chairman, Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs
- Ranking Democratic Member, Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs

This protocol package will be available in the near future on the VA Office of Audit web site at http://www.va.gov/oig/52/reports/mainlist.htm.: *List of Available Reports*. This protocol package will remain on the OIG web site for two fiscal years after it is issued.

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