

STATEMENT OF PATRICIA A. DALTON
DEPUTY INSPECTOR GENERAL
U.S. DEPARTMENT OF LABOR
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Good morning Mr. Chairman and members of the Subcommittee. Thank you for inviting the Office of the Inspector General (OIG) to discuss customer service issues within the Office of Workers' Compensation Programs (OWCP) at the U.S. Department of Labor (DOL). I am here in my capacity as Deputy Inspector General to present the views of the OIG, which may not necessarily be representative of those of the Department of Labor.

BACKGROUND

The U.S. Department of Labor administers several programs and statutes designed to provide and protect the benefits of workers and retirees, including the Federal Employees' Compensation Act (FECA) Program, the Longshore and Harbor Workers' Compensation Program, the Unemployment Insurance Program, and key provisions of the Employee Retirement Income Security Act. FECA is a major Federal benefit program that affects the budgets of all Federal agencies. This year, FECA costs are expected to total about \$2 billion.

FECA is a comprehensive workers' compensation law for Federal employees that is designed to provide coverage for work-related injuries or deaths to some

3 million Federal employees and postal workers. Benefits are paid from the Employees' Compensation Fund, which is administered by OWCP and principally funded through chargebacks to the employing agencies.

Over the last two decades, the OIG has devoted significant resources to detecting and preventing fraud and abuse within the FECA program through the OIG's program of audits, investigations, and evaluations. To date, the OIG's work has disclosed vulnerabilities that can often lead to inefficiencies and loss of Federal funds.

Most recently, the OIG has conducted two evaluations of customer service-related issues with the FECA program. The first examined two specific issues that arose during a July 1998 hearing held by this Subcommittee. The second OIG evaluation examined OWCP customer service surveys

from 1995 through 1998.

MEDICAL REIMBURSEMENTS AND SURGICAL AUTHORIZATIONS

Mr. Chairman, last summer, this Subcommittee held a hearing to investigate whether injured Federal employees receive timely and equitable adjudication of their compensation claims. At that hearing a number of witnesses testified about their concerns with the compensation claims process. Following the hearing, the OIG analyzed the hearing transcript and the allegations made by the claimants at the hearing. We also reviewed a relevant General Accounting Office (GAO) report. Based on this analysis, we examined two outstanding issues regarding whether OWCP was timely in responding to claimant requests for reimbursement for out-of-pocket medical expenses, and requests for surgical authorizations.

In examining the issue of claimant reimbursement for out-of-pocket medical expenses, we reviewed existing OWCP data, which revealed that reimbursements to claimants represent only 3 percent of all medical bills. The remaining 97 percent of the claims are submitted by medical providers and health plans.

In addition, we reviewed the reimbursement standards that OWCP has established. These standards for claimant reimbursement have been established at the 28-day level and the 60-day level. OWCP's own data showed that the agency falls slightly short of meeting its 90 percent standard for the 28 day period, paying 82.1 percent of all claimant-submitted bills within the 28 days. At the 60-day standard, OWCP has paid 96.9 percent of all claimant-submitted bills. In addition, OWCP has recently

implemented an automated bill review system. Prior to the new system, OWCP had to manually review each bill. OWCP has indicated to the OIG that it expects this new system will shorten the processing time for bills and, therefore, increase the percentage of claimant-submitted bills paid within the time frames.

Pharmacy bills are the single largest cost category of claimant-submitted reimbursements. Our review found that OWCP was able to pay 97 percent of claimant-submitted pharmacy bills within 60 days, and 83 percent of these claims were paid within 28 days. This past July, OWCP implemented an electronic billing system that enables pharmacies to bill OWCP directly, eliminating the need for claimant out-of-pocket expenses. OWCP records indicate that after only four months, the new system

has reduced claimant-submitted pharmacy bills by 10 percentage points.

The second issue that arose from the July 6, 1998, hearing was concerns about the timeliness of surgical authorizations. In this area, OWCP deals with two different types of surgeries: emergency and non-emergency. If an employee suffers a traumatic injury at work and requires emergency surgery, the employing agency is responsible for

authorizing the medical treatment within four hours of injury. Our review examined OWCP's handling of requests for non-emergency surgery.

While OWCP has no automated system to track the time between requests for non-emergency

surgery and authorizations by OWCP, some OWCP district offices attempt to manually track this information. For example, the New York District Office has dedicated a fax line to receive medical authorization requests. The goal is to respond to claimants within one week, whenever possible. Although OWCP indicates that claims examiners are working to expeditiously process surgical authorizations, we could not identify a standard within OWCP, or within the industry, to benchmark performance.

We contacted many different sources, including the Workers' Compensation Research Institute and State Workers' Compensation Programs, but could not find a standard to measure OWCP's performance. Although the overall range for processing authorization requests was 0 to 354 days, ninety-three percent of the cases fell within the range of 0 to 85 days. Leaving the five atypical cases (354, 326, 225, 124, and 102 days) out of our calculations, we found that on average, OWCP processed surgical requests in 26 days, with the median (mid-point) being 17 days and the mode (most frequent value), which occurred 5 times, 7 days. The range shows what program officials told us -- that the time it takes OWCP to process a surgical request varies greatly depending on the case. Although we did not find a pattern of delays in the case files we examined, our report recommends that OWCP establish a performance standard for responding to requests for surgical authorizations in order to reduce claimant uncertainty about the process.

OWCP CUSTOMER SERVICE SURVEYS

Mr. Chairman, our second evaluation reviewed OWCP's customer service surveys from 1995 through 1998. We conducted this review in order to determine whether OWCP's surveys are a useful tool in providing information about customer service.

Earlier OIG and GAO reports found no evidence of anti-claimant bias on the part of OWCP. However, our first review of reimbursement for out-of-pocket medical expenses and requests for surgical authorizations, alerted us to possible problems with OWCP customer service. A preliminary review of OWCP's customer service surveys and interviews with agency officials indicated methodological deficiencies that raised concerns about the surveys' ability to provide useful information to the agency.

Because OWCP has conducted customer service surveys of claimants covered under FECA since 1995, we reviewed their last four survey reports and questionnaires and interviewed OWCP officials to analyze the methodology of the survey questionnaires. Our review identified deficiencies in the methodology used to measure customer service, as well as deficiencies in sampling, survey design, response rate, and survey operations. Although OWCP has made efforts to improve the surveys each year, our analysis revealed the existence of methodological flaws that cast doubt on the accuracy of the information obtained from them. Our review identified the following problems:

In terms of the survey design, we found that the 27-question, 4-page survey is too long, which may encourage respondents to rush or skip items. In addition, the changing formats within the questionnaire increased the difficulty in responding to questions.

With regard to measuring customer service, we believe that to accurately report on a broad,

multi-faceted topic across five different subgroups requires using more than just one questionnaire. We have recommended that OWCP consider other methods of measuring customer service, including using focus groups with representatives of different claimant groups and using existing agency data sources, such as telephone logs or correspondence tracking. Focus groups are particularly useful for exploring issues and can contribute a clear understanding of customer needs.

In terms of the sampling methodology, we found that some of the five sample groups are over-sampled, while others are under-sampled. For example, approximately equal samples were drawn from dissimilarly-sized groups. One group was comprised of 154,000 claimants who had not lost time from work, and a second group with only 24,000 claimants who had been denied a claim. Sampling an equal number from these two sub-groups (and the three others) does not ensure that all claimants have an equal chance of selection in the overall sample. Consequently, this may potentially skew OWCP's sample.

In one year's survey, we found that the questions asked in the questionnaire did not specifically pertain to the sample that OWCP drew. Consequently, many respondents may have believed that the survey did not apply to them.

Our review also found that OWCP does not retain any data from the surveys. Because of potentially incomplete records, the data and research conducted

cannot be verified. Moreover, valuable information, as well as the opportunity for subsequent research with the data sets, is lost.

Although the response rate is improving, it remains considerably below the OMB standard of 80%. However, in 1998, OWCP did conduct a telephone survey to identify the characteristics of non-respondents to verify the quality of the responses they obtained.

Unfortunately, Mr. Chairman, the many problems associated with the research methodology make it very difficult to assess the adequacy of the annual survey. Ultimately, OWCP is unable to fully discern whether Federal injured workers are being adequately served by the process intended to help them. In order to make the survey accurate and useful, and to better understand the concerns of injured workers, our recommendations have been crafted to ensure that OWCP will be able to collect high-quality data for performance planning and managing customer service to Federal claimants. OWCP generally concurred with our findings and management has indicated that they will be using most of our recommendations to improve future customer service surveys.

CONCLUSION

Since the Subcommittee reviewed these issues last July, the issue of customer satisfaction within OWCP has been reviewed in a number of different ways. Despite the problems associated with the way OWCP surveys its customers, the OIG believes that OWCP has the ability to make the necessary corrections to allow for a more useful survey. These changes, if implemented, will enable OWCP to have a better strategic planning process, and -- more importantly -- help them

obtain a better gauge of the concerns that injured Federal workers have with the current process. Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or the other Subcommittee Members may have.