

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Health Administration

*Follow-Up Audit
of VHA's Workers'
Compensation
Case Management*

July 7, 2014
11-00323-169

ACRONYMS AND ABBREVIATIONS

| | |
|------|--|
| DOL | Department of Labor |
| FECA | Federal Employee Compensation Act |
| FY | Fiscal Year |
| OIG | Office of Inspector General |
| OWCP | Office of Workers' Compensation Programs |
| VA | Veterans Affairs |
| VHA | Veterans Health Administration |
| VISN | Veterans Integrated Service Network |
| WCP | Workers' Compensation Program |

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Report Highlights: Follow-Up Audit of VHA's Workers' Compensation Case Management

Why We Did This Audit

VA's Workers' Compensation Program (WCP) provides compensation and medical rehabilitation for injured employees. The Veterans Health Administration (VHA) expenditures comprise about 93 percent of the total \$202 million. In this follow-up audit, we determined whether VHA improved WCP case management to better control costs in chargeback year 2012, which represented the most current audit data available at the time we began work.

What We Found

We identified issues with claims initiation and monitoring similar to those disclosed in our 2004 and 2011 audit reports. Specifically, WCP case files lacked initial or sufficient medical evidence to support connections between claimed injuries and medical diagnoses. We estimated VHA inaccurately initiated about 56 (7 percent) of 793 WCP claims. WCP claims also were not consistently monitored to timely return employees to work. VHA WCP specialists did not make job offers or take actions to detect fraud. We projected 489 (61.7 percent) of 793 active claims were inadequately monitored.

These issues occurred because VHA still lacked standard guidance and a clear chain of command to ensure compliance with WCP statutory requirements and VA policy. VHA also lacked a fraud detection process. Overall, we estimated VHA can reduce WCP costs over the next 5 chargeback years by \$11.9 million through improved claims

initiation and \$83.3 million by increasing efforts to return medically able staff to work. In total, opportunities exist for VHA to reduce WCP costs by about \$95.2 million with improved claims management. We also identified \$2.3 million in unrecoverable payments due to VHA's lack of oversight to return medically able employees to work.

What We Recommended

We recommended the Acting Under Secretary for Health ensure clear oversight, standard guidance, adequate staffing, and fraud detection procedures to improve VHA's WCP case management.

Agency Comments

The Acting Under Secretary for Health concurred with our findings and recommendations and plans to complete all corrective actions by May 29, 2015. We consider these planned actions acceptable and will follow up on their implementation.

A handwritten signature in black ink that reads "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

The Office of Inspector General (OIG) conducted this follow-up audit to verify implementation of recommendations from prior audits of the Workers' Compensation Program (WCP). Specifically, our objective was to determine whether the Veterans Health Administration (VHA) has improved case management since our 2011 audit to ensure that WCP claims are well-substantiated, employees are returned to work when they are medically able, and compensation benefits are properly paid.

WCP Responsibilities

The Department of Labor (DOL) Office of Workers' Compensation Programs (OWCP) administers the WCP for all Federal agencies. After claims adjudication, OWCP uses its Employees' Compensation Fund to pay the claimants' medical expenses and compensation benefits. Then it bills each agency annually through a chargeback report. The chargeback year covers the time period of July 1 of the previous year through June 30 of the current year. Employing agencies manage all cases listed on the chargeback report. Further, OWCP identifies reemployment opportunities to assist agencies in returning their claimants to work when they are medically able.

Within VA, the Assistant Secretary for Human Resources and Administration has broad responsibility for WCP policy development and oversight. VHA workers' compensation specialists execute the policy by initiating claims and managing cases from the time of employee injury up to the point of claims adjudication by OWCP. Upon claims adjudication, the specialists maintain WCP case files, assess medical evidence, and make job offers to return employees to work when possible.

Related OIG Reviews

In five prior audits, we reported enhanced case management could reduce VA's WCP costs and risks for fraud and abuse. In our two most recent reports, *Follow-Up Audit of Department of Veterans Affairs Workers' Compensation Program Costs* (Report No. 02-03056-182, August 13, 2004) and *Audit of Workers' Compensation Case Management* (Report No. 10-03850-298, September 30, 2011), VA inaccurately initiated claims and missed opportunities to make job offers. VA lacked the medical evidence necessary to support continuation of benefits to employees. We also identified instances of potential fraud. We recommended VA increase its oversight processes, dedicate resources, and take actions to reduce fraud risk.

Other Information

- Appendix A provides background information.
- Appendix B provides details on our scope and methodology.
- Appendix C provides our sampling methodology.

RESULTS AND RECOMMENDATIONS

Finding 1 VHA Needs To Accurately Initiate Workers' Compensation Program Claims

VHA did not accurately initiate WCP claims. We estimated VHA inaccurately initiated about 56 (7 percent) of 793 WCP active claims between July 2004 through June 2012. We found that WCP case files lacked initial or sufficient medical evidence to support connections between claimed injuries and diagnoses on medical reports. This occurred because VHA did not have a clear chain of command with delegated authorities and responsibilities to enforce WCP statutory requirements and VA policy for ensuring sufficient initial medical evidence existed to substantiate claims.

In our 2011 audit report, we discussed this same issue, but VHA did not implement our recommendation to establish a structure with clear reporting lines. VHA officials believed it is each Veterans Integrated Service Network's (VISN) responsibility to determine the best approach to overseeing and enforcing WCP policy. We also recommended in 2011 that VHA establish WCP case file documentation standards so that specialists ensure all case files are complete. In November 2012, VHA responded that they were developing additional workers' compensation guidance. VHA issued a supplemental guidebook in July 2013, but it still did not establish case file documentation standards.

As a result of these continuing issues, VHA runs the risk of paying unnecessary costs for inaccurately initiated claims. Based on our results, we estimated that due to payments associated with inaccurate claims initiation in chargeback year 2012, VHA could have put annual compensation payments, totaling \$2.4 million, to better use. If claims initiation procedures are not strengthened, we projected that VHA could continue making questionable payments over the next 5 chargeback years, valued at about \$11.9 million.

Claims Initiation Process

Claims initiation begins when an employee reports an injury sustained during the performance of duty either through a supervisor or directly to a VHA workers' compensation specialist. According to OWCP Publication CA-810, *Injury Compensation for Federal Employees*, the VHA workers' compensation specialist must then submit the employee-completed WCP compensation form (CA-1 for traumatic injury or CA-2 for occupational disease) to OWCP. Per Federal regulations, the specialist can submit the completed WCP compensation form with or without supporting evidence to promote timely submission of claims.¹

¹ Code of Federal Regulations, Title 20, Part 10, *Claims for Compensation Under Federal Employees Compensation Act, as amended*, Section 10.110.

Table 1 provides the five elements needed to establish a valid WCP claim.

Table 1. Five Elements To Establish a Workers' Compensation Program Claim

| Element | Description |
|---------------------|--|
| Timely Filing | The employee timely filed the claim with WCP staff by providing the employee compensation form within 3 years of the date of injury. |
| Civil Employee | The individual is a civilian Federal employee. |
| Fact of Injury | The claimant actually experienced the accident and the medical condition connected with the event. |
| Performance of Duty | The employee sustained the injury in the performance of duty as alleged. |
| Causal Relationship | The work-related injury is connected to the specific condition for which compensation is claimed. |

Source: Publication CA-810, Chapter 3, "Conditions of Coverage"

The VHA workers' compensation specialist reviews the WCP compensation form to determine whether the claim is complete and accurate. If any of the five elements are lacking, the specialist should challenge the validity of the claim. The specialist should submit claims forms, such as the CA-1 or CA-2, and a statement to OWCP specifically describing why he or she disagrees with the claim and providing evidence to support that position. Generally, the specialist can establish the first four elements of a claim using the employee-completed WCP compensation form. However, within 30 days of OWCP's request for additional information, the employee must provide supplemental medical evidence to OWCP, either directly or through the specialist, to establish a causal relationship.

Inaccurate Initial Claims Management

We estimated that VHA did not accurately initiate 56 (7 percent, totaling \$2.4 million) of the 793 WCP claims active from July 2004 through June 2012. Of the five elements required to establish a claim, the specialists most frequently made errors in establishing a causal relationship between an employee's injury and the specific condition for which the employee claimed compensation. The only way to establish a causal relationship is through sufficient medical evidence provided by the employee's treating physician.

CA-810, *Injury Compensation for Federal Employees*, requires that VHA use initial medical evidence to establish a causal relationship for a claim. The handbook also requires that specialists maintain copies of claim forms, medical reports, OWCP correspondence, and related materials in each WCP case file. Furthermore, Title 20, Code of Federal Regulations, Part 10.330 states sufficient initial medical evidence to establish a causal relationship should include:

- Medical examination and treatment dates
- Medical history provided by the employee
- Diagnosis and course of treatment
- Treating physician's medical opinion
- Prognosis for recovery

Specialists did not consistently include such medical evidence in the WCP case files or ensure the evidence provided was sufficient to initiate claims. Maintaining a complete WCP case file with sufficient initial medical evidence is critical to helping VHA workers' compensation specialists identify inconsistencies in comparison with updated medical evidence over the life of a claim. Specialists responsible for managing WCP case files could not explain why files established prior to their appointments lacked sufficient initial medical evidence to substantiate that claimants warranted benefits for injuries sustained in the performance of duty. Moreover, some specialists stated they did not think it was their responsibility to ensure that initial medical evidence was sufficient to establish a valid claim; instead, they believed it was DOL's responsibility. Further, a specialist said that if DOL OWCP accepted a claim and paid compensation benefits to the injured worker, then the claimant must have submitted initial medical evidence to DOL OWCP.

The lack of sufficient initial medical evidence should result in a specialist disputing the validity of a claim to DOL OWCP, typically through a memo referred to as an agency position letter. VA has compiled best practices to assist specialists with identifying and challenging questionable claims. For example, VA's best practice training course suggests specialists should obtain and review medical reports to validate that they include causal relationships. If a specialist notes that a causal relationship does not exist, the specialist should question the validity of the claim and develop an agency position letter.

In spite of the guidance provided by VA, specialists did not always submit agency position letters to DOL OWCP to challenge the validity of claims. The treating physicians' medical reports also did not always substantiate causal relationships between the claimed work-related injuries and the identified medical conditions. The following two examples illustrate this point:

- An employee filed a claim for a knee and lower leg injury. The claimant alleged a fall on the face and knee an hour and a half prior to the employee's tour of duty. According to the CA-1, the employee was not injured while in the performance of duty. The treating physician's medical reports stated the employee fell on uneven pavement and injured the left knee, right hand, and right side of the face. The medical reports

did not include a medical opinion that a connection existed between the work-related injury and claimed conditions. In 2012, the employee received about \$45,000 in questionable compensation benefits.

- An employee filed a claim for a sprained knee. The claimant was holding a door open with their buttocks so they could pull a patient, who was in a wheelchair, through the door. Initial medical documentation did not include a medical opinion that a connection existed between the work-related injury and the sprained knee. In 2012, the employee received \$49,000 in questionable compensation benefits.

In our 2011 audit, we reported that VHA had not developed standard dispute procedures. We specifically recommended that VHA develop and implement standard procedures for VA to question the validity of claims lacking adequate supporting evidence. In November 2012, VHA responded they were updating the workers' compensation guidance. VHA issued the guidebook in July 2013. Although the guidebook included a sample dispute letter template to aid specialists when questioning an invalid claim, VHA did not ensure that the specialists follow the guidebook and use the template. As such, the issuance of the guidebook did not fully address our recommendation.

**Lack of
Oversight To
Ensure
Accurate
Claims
Initiation**

VHA still lacks a clear chain of command and oversight for ensuring accurate claims initiation. We first reported this weakness in 2011. At that time, we recommended the Under Secretary for Health establish clear reporting lines with delegated authority for overseeing and enforcing Workers' Compensation Program policy; however, this has not been addressed.

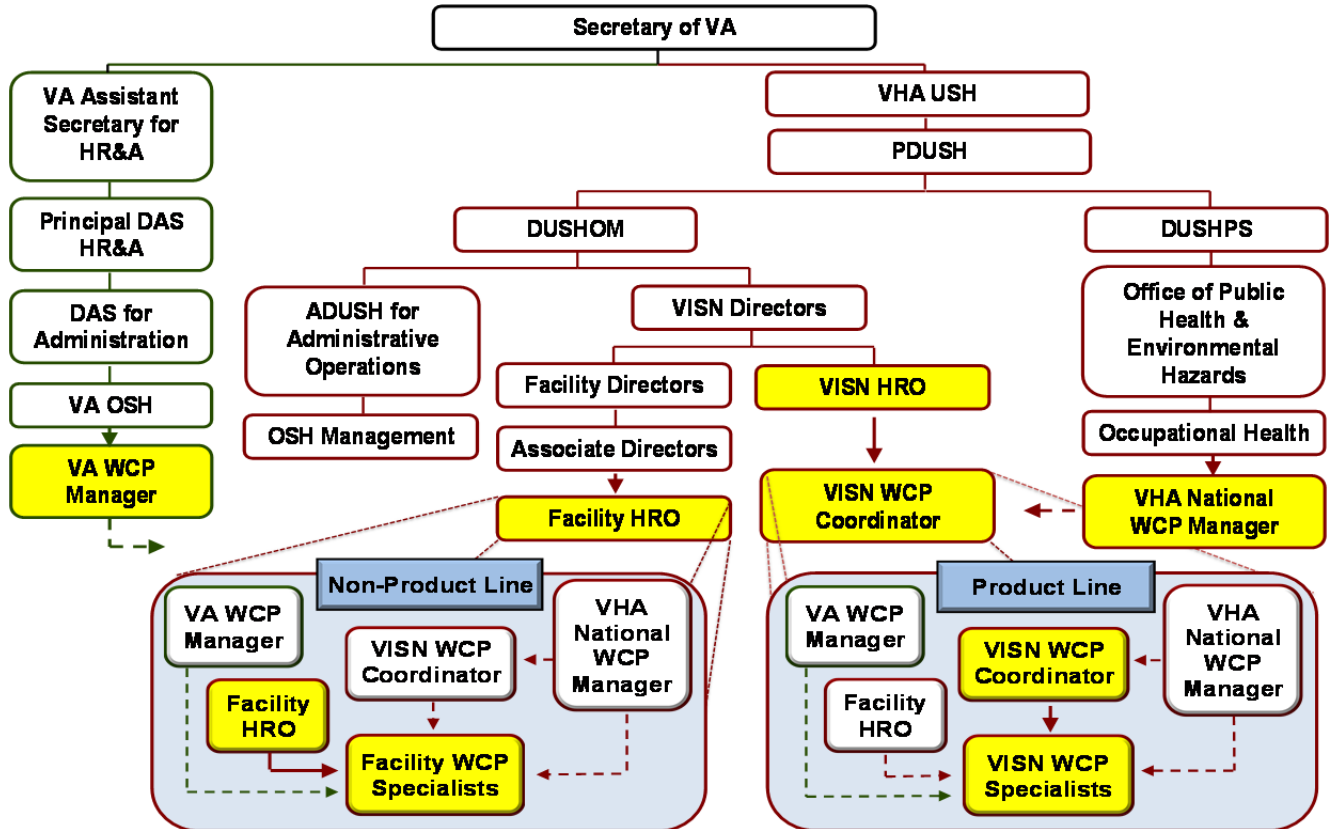
VA's Assistant Secretary for Human Resources and Administration provided VA administrations with WCP policy generally aligned with Federal Employee Compensation Act (FECA) requirements. A VA WCP program manager within Human Resources and Administration oversees VA-wide policy development. Within VHA, the Deputy Under Secretary for Health for Operations and Management is responsible for ensuring the effective execution of that WCP policy direction.

During our 2011 audit, VA's Federal WCP manager informed us that the VHA Office of Occupational Health was tasked with overseeing WCP operations and ensuring compliance with policy requirements. In March 2013, VHA hired a national WCP manager, within the Office of Occupational Health, to perform WCP oversight and policy enforcement. However, the VHA national WCP manager falls under the Deputy Under Secretary for Health for Policy and Services, not the Deputy Under Secretary for Health for Operations and Management. The national WCP manager is not in the direct line of supervision over specialists responsible for

day-to-day WCP case management operations. Generally, facilities under the VISN Directors have responsibility for WCP oversight.

Figure 1 illustrates the organizational structure for WCP oversight.

Figure 1. VHA's Workers' Compensation Supervisory Chain of Responsibility of Non-Product and Product Lines



Source: VHA National Workers' Compensation Program Manager as of May 2011

Acronym List for Figure 1

| Acronym | Definition |
|---------|---|
| ADUSH | Assistant Deputy Under Secretary for Health |
| DAS | Deputy Assistant Secretary |
| DUSHOM | Deputy Under Secretary for Health for Operations and Management |
| DUSHPS | Deputy Under Secretary for Health for Policy and Services |
| OSH | Occupational Safety & Health |
| HR&A | Human Resources and Administration |
| HRO | Human Resources Officer |
| PDUSH | Principal Deputy Under Secretary for Health |
| USH | Under Secretary for Health |
| VA | Veterans Affairs |
| VHA | Veterans Health Administration |
| VISN | VA Integrated Service Network |
| WCP | Workers' Compensation Program |

Direct daily oversight to the specialists is provided through two chains of command under the VHA VISN Directors. VHA's WCP organizational structure consists of two structural alignments—a non-product line VISN and a product line VISN—to identify VHA's WCP supervisory chain of responsibility. Within the non-product line structure, facility human resource officers manage and directly supervise the specialists. The human resource officer directs all work for the specialists and has the authority to task the specialists with multiple human resource activities, such as finger printing or safety officer duties. In contrast, the product line structure identifies the VISN WCP coordinator as the specialists' direct supervisor so their work is limited to WCP case management. VHA officials stated they were not surprised with the discrepancies we identified and recognized the need to conduct an assessment to determine the most effective WCP oversight approach.

Conclusion

Accurate claims initiation is the first step in the WCP process and is important to ensure VHA is paying valid claims in an expeditious manner. Similar to the results in our 2011 audit report, until VHA ensures case files are complete with sufficient initial medical evidence to substantiate claims, VA runs the risk of making unnecessary payments when funds could be put to better use. Based on our sample results, we estimated that for 56 WCP claims in chargeback year 2012, valued at \$2.4 million in annual

compensation, funds could have been put to better use when initial medical evidence was missing or insufficient. Over the next 5 chargeback years, we project that VHA could put \$11.9 million to better use if missing case file documentation is obtained or sufficient medical evidence is available to support eligibility for receiving these benefits.

Recommendations

1. We recommended the Acting Under Secretary for Health establish Workers' Compensation Program case file documentation standards so that specialists ensure case files are complete (*repeat recommendation from the 2004 and 2011 VA Office of Inspector General audit reports*).
2. We recommended the Acting Under Secretary for Health establish a directive mandating Workers' Compensation Program specialists implement the workers' compensation guidebook to ensure specialists question the validity of claims lacking adequate supporting evidence.
3. We recommended the Acting Under Secretary for Health establish a structure with a clear chain of command to ensure workers' compensation compliance with case management requirements, oversight, and policy enforcement.

Management Comments

The Acting Under Secretary for Health concurred with our findings and recommendations and plans to complete all corrective actions by May 29, 2015. VHA published a guidebook that identifies how to establish a six-part case file and question the validity of claims. VHA's National WCP manager also trained facility WCP staff on case file management and maintenance. The training focused on case file documentation standards and how to store the appropriate documents in the six-part case file. VHA is planning to train facility WCP staff on the processes needed to evaluate the validity of claims and how to challenge the five elements of a claim.

In addition, to help ensure the case files are complete, VHA is in the process of developing a standardized case file review checklist. The checklist will provide facility WCP staff with a better understanding of required case file documentation and recording of documents as they are placed in the six-part case file. VHA also plans to draft a directive with VA Office of General Counsel approval that ensures procedures for evaluating and appropriately challenging the validity of claims become official program requirements.

Lastly, VHA's National WCP manager will coordinate with the Office of the Deputy Under Secretary for Health for Operations and Management to develop a memorandum, to be submitted to VISN and facility directors, mandating implementation of the VHA guidebook. The memorandum will include a requirement to ensure that specialists question the validity of claims that lack adequate supporting evidence. Finally, the memorandum

will identify VHA National WCP's roles and responsibilities specific to policy development, communication, training, program oversight, and compliance enforcement.

Finding 2 Workers' Compensation Program Case Monitoring To Return Employees to Work Needs Improvement

VHA did not always monitor WCP claims to return employees to work when they were medically able. They also did not implement a process to identify fraud. We estimated VHA did not adequately monitor 489 (61.7 percent, totaling \$16.7 million) of the active 793 WCP cases to return employees to work when they were medically able. Specialists did not maintain case files with required updated medical documentation, along with earnings and dependency information useful in determining whether employees should continue to receive WCP benefits.

Similarly, VHA lacked a chain of command with clear lines of authority and responsibility for ensuring standard WCP case management practices and enforcing policy requirements. VHA specialists did not always make job offers to claimants who were able to return to work because staff misinterpreted WCP requirements. VHA also did not dedicate sufficient resources to monitor cases and return medically able claimants to work as soon as possible.

We reported this same finding in our 2011 audit and recommended that VHA implement oversight mechanisms and documentation standards to ensure WCP case files are complete. Further, we recommended that VHA ensure job offers are made to medically able employees and facility directors assign adequate staff to manage WCP cases. We also made recommendations in our 2004 report to address the same case monitoring weaknesses. When asked about actions to address this recommendation, VHA officials told us they were updating the workers' compensation guidance. VHA issued the guidebook in July 2013, but it still did not address our recommendations.

Moreover, we discovered cases indicative of potential fraud. During our 2011 audit, VA stated that it deferred establishing a fraud detection and referral process, viewing it as too time-consuming for already overworked staff. We recommended that VHA develop and implement fraud identification and referral procedures. According to a VHA official, as of October 2013, the administration still had not established a fraud detection and referral process because VHA was trying to fill its workers' compensation national WCP manager position. The establishment of fraud identification and referral procedures should not be dependent on filling one management position.

Until VHA establishes adequate case management oversight to return employees to work and fraud detection processes, it risks incurring erroneous costs for ineligible claimants. We projected that due to inadequate WCP case monitoring and failure to remove medically able employees from the WCP rolls, \$16.7 million in VHA costs could have potentially been put to

better use during chargeback year 2012. We projected that continued improper payments for these claims over the next 5 years could reach \$83.3 million.

**Monitoring
Process**

VA Directive 5810 requires VHA's workers' compensation specialists to monitor cases from the time of injury until employees return to full duty. WCP case monitoring involves ensuring staff:

- Maintain complete case files with supporting evidence, such as periodic medical reports, the "Latest Earnings and Dependency Information" forms (EN-1032), and other information from OWCP or the injured employees to determine whether an employee is capable of returning to work.
- Make job offers to employees when they are released to return to work.
- Assess WCP case files for red flag indicators to detect fraud, such as high compensation, while the claimant's information supports little or no medical costs incurred.

A range of guidance is available to support case monitoring. Per Federal regulations, VHA may obtain periodic medical reports from DOL OWCP, the treating physician, or the claimant, depending on the case status.² OWCP determines case status, which dictates the frequency (annually or every 2 or 3 years) that a claimant is required to have a medical examination and submit the related medical report to OWCP. VA's WCP best practices guidance and VA OIG's *Handbook for VA Facility Workers' Compensation Program Case Management and Fraud Detection* (Report No. 9D2-G01-064, April 14, 1999) provide guidance for VHA specialists regarding WCP case file monitoring and fraud detection.

**Incomplete
Case Files**

We estimated 455 (57.4 percent, totaling approximately \$15.4 million) of 793 of VHA's WCP case files were incomplete. VHA workers' compensation specialists did not always obtain the updated medical reports or earnings and dependency forms needed to assess claimants' work capacity. This occurred because of a lack of clear oversight and standards for effective case monitoring. Again, incomplete case files were also an issue noted in our 2004 and 2011 WCP audits.

**Updated
Medical
Evidence Not
Requested**

We estimated VHA workers' compensation specialists did not request updated medical reports in 125 of the 455 cases, totaling \$3.8 million paid in chargeback year 2012. In our 2011 audit, we recommended that VHA implement oversight mechanisms and documentation standards to ensure WCP case files are complete with up-to-date medical evidence. VHA officials told us they were updating the workers' compensation guidance as a

² Code of Federal Regulations, Title 20, Part 10, *Claims for Compensation Under Federal Employees Compensation Act, as amended*, Section 10.506.

corrective action; however, when issued, the guidebook did not satisfy the recommendation we closed upon receipt of an acceptable implementation plan. The lack of updated medical reports hampered specialists' ability to timely return medically able employees to work. Examples to illustrate this issue follow.

- An employee filed a mental stress claim for severe depression and post-traumatic stress disorder. No evidence was in the file for 4 years to support a determination as to whether the employee could return to work because the specialist stopped monitoring the case. The specialist informed us that she thought the claimant had retired. In response to our questions, a specialist conducted follow-up and learned that the claimant had not retired and was not receiving Office of Personnel Management retirement benefits. Rather, the claimant was still out of work and continued receiving OWCP benefits. As a result, the specialist took action to request updated medical information to determine whether the benefits should continue. In chargeback year 2012, the claimant received about \$33,000 in questionable compensation benefits.
- An employee filed a claim for a shoulder injury. No medical evidence was in the file for 5 years to support a determination as to whether the employee could return to work. When we brought this to a specialist's attention, the specialist stated she only had enough time to process newer cases; we found that she was the only specialist in a VHA medical center with over 3,000 employees. In chargeback year 2012, the claimant received about \$50,000 in questionable compensation benefits.

Had specialists aggressively obtained periodic medical reports throughout the life cycle of these claims, they could have potentially identified opportunities to return medically able employees to work sooner and stopped them from receiving WCP compensation benefits.

We estimated that 125 WCP cases, constituting chargeback year 2012 compensation payments of \$3.8 million, were questionable because the specialists did not obtain updated medical evidence. Left unaddressed, the risks of making improper payments for these claimants over the next 5 chargeback years could reach \$19 million.

EN-1032s Not Requested To Aid Return to Work Determinations

We estimated about 331 of VHA's incomplete case files, totaling approximately \$11.6 million, did not include the "Latest Earnings and Dependency Information" form (EN-1032) beneficial to determine whether employees should continue to receive WCP benefits. Improper payments for these claimants over the next 5 years could reach \$57.8 million.

The EN-1032 form identifies whether a claimant is receiving additional income, potentially identifying whether work capacity exists. FECA requires that each claimant submit this completed form to DOL OWCP annually;

OWCP may suspend compensation payments for claimants who do not comply.

Although VA does not require VHA workers' compensation specialists to obtain updated EN-1032s, we found some specialists were requesting the forms from DOL OWCP because they recognized the forms could be beneficial for effective WCP case management. According to another specialist, VHA did not request the EN-1032 because DOL OWCP would not always provide the form, citing that it was not VHA's responsibility to review the form. Ultimately, adopting a VHA-wide best practice to obtain EN-1032s could provide specialists with information to assist in returning claimants to work, potentially reducing WCP costs.

To exemplify the importance of obtaining an EN-1032, in one case, the form identified that a WCP claimant was a company president and serving as a tutor while collecting WCP compensation benefits. Because specialists did not attempt to determine whether the claimant had work capacity, the employee remained on VA's chargeback rolls. With the information provided on the EN-1032, specialists could have determined the employee had the potential to return to work.

*Reasons for
Inadequate
Monitoring*

As previously stated in Finding 1, VHA lacked a clear chain of command to effectively monitor WCP cases and enforce WCP policy compliance. VHA relied on the VISN WCP coordinators and the facility human resource officers to oversee the specialists. Depending upon the VISN structure employed at a particular VISN, human resources staff were not always fully dedicated to managing WCP cases. Thus, the specialists did not always monitor WCP cases or update files to ensure that employees were returned to work as soon as they were medically able.

*Job Offers Not
Made*

We estimated VHA did not make job offers to return claimants to work in 34 (4.3 percent, totaling \$1.3 million) of the 793 WCP cases in our universe for chargeback year 2012. Further, we estimated VHA paid \$2.3 million in compensation benefits during the previous decade for these same claimants who should have been returned to work. A specialist did not demonstrate the skills necessary to adequately apply the WCP requirements and return claimants to work. Additionally, VHA lacked sufficient resources to monitor case files so that medically able employees could be returned to work. We previously reported VHA was not ensuring job offers to staff deemed medically fit as an issue in our 2004 and 2011 audit reports.

*Staff
Misinterpretation
of WCP
Requirements*

We estimated that in 27 (78.5 percent, totaling \$1.1 million) of the 34 cases, VHA workers' compensation staff lacked the knowledge and understanding to properly apply FECA requirements and make job offers to medically able employees. Generally, physicians indicate employees' work capacity to either OWCP or VHA using the CA-17, "Duty Status Report." This form describes any work limitations, such as the number of hours the employee

can sit, stand, or walk. According to FECA, a specialist should assess the CA-17 and follow through in writing with a suitable job offer of light duty, as appropriate, and provide a copy to OWCP.

In multiple instances at one facility, specialists provided several different reasons they did not make job offers, including cases being handled as part of the reasonable accommodation process. However, waiting for a reasonable accommodation to make a suitable job offer is not required as part of the FECA job offer process. If a worker's injury has been adjudicated under FECA and the claimant is medically able to return to work, VA must identify an employment opportunity and make a suitable job offer as part of the return to work process. If the claimant refuses the job offer, OWCP is required to suspend compensation.

Further, staff sometimes offered the excuse that Managed Care Advisors, a VISN WCP case file review contractor, was managing cases, including making job offers and obtaining updated medical evidence.³ However, in such instances, the contractor's only responsibility was to review the cases and provide recommendations to the specialists, such as making a job offer or obtaining updated medical evidence. Then, the specialists were responsible for actually making suitable job offers and obtaining updated medical evidence per the contractor's recommendations.

Following are examples where VHA staff erred in not making job offers due to misinterpreting WCP requirements.

- In 2010 and 2011, second opinion exams showed a claimant with a foot injury could return to light duty for 8 hours per day. Managed Care Advisors recommended VHA offer a job to the injured worker, but WCP specialists took no action to follow through on the recommendation as required in 2010 and 2011. A specialist mistakenly thought that the contractor was going to make the job offer. Consequently, this employee with work capacity remained on VA's chargeback rolls. Between chargeback year 2010 and 2012 the employee received about \$101,000 in questionable compensation benefits.
- June and September 2012 medical exams showed that an employee claiming a knee injury was released to perform limited duty. In addition, the employee told the physician that he could perform limited duty work. The WCP specialist told us she did not know how to make a job offer to the employee and therefore took no action. In chargeback year 2012, the employee received about \$20,000 in questionable compensation benefits because no effort was made to return the medically able employee to work.

³ VHA contracted with Managed Care Advisors to review one VISN's WCP case files and aid specialists in WCP case management efforts.

Insufficient Staff Resources

We estimated that in 7 (21.5 percent, totaling \$100,000) of the 34 cases projected, VHA facilities lacked the staff needed to compile essential documentation and maintain WCP case files with the information needed to make return to work determinations.

In our 2004 and 2011 audit reports, we previously discussed this lack of resources to effectively manage WCP case files. We recommended VHA assign adequate staff to manage WCP cases. According to WCP officials at headquarters, VHA has not implemented this recommendation because it is not responsible for hiring WCP personnel in the field. Additionally, these same officials informed us that WCP staffing is an issue that VA needs to resolve.

VHA's 2010 Human Resource Delivery Model, while dated, indicates that each medical facility should maintain one dedicated WCP specialist per 1,200 full-time employees. However, for the 12 medical facilities in our sample, VHA maintained an average ratio of about 0.8 WCP specialists per 1,200 full-time employees. Additionally, 9 (47.4 percent) of 19 specialists we interviewed stated that WCP case management was a secondary responsibility—they had collateral duties such as finger printing, processing Personal Identity Verification Cards, and serving as Safety Officer. Specialists indicated that if they could dedicate 100 percent of their time to WCP, they could monitor cases more closely and potentially return medically able employees to work expeditiously.

According to senior VA officials, the ratio of specialists to employees, coupled with the specialists' collateral duties, contributed to the inability to manage the WCP cases effectively. Following are examples of missed opportunities to make job offers and return employees to work due to an inadequate number of staff.

- In November 2012, a physician released an employee claiming a wrist injury to return to work the same day of the medical release. However, the specialist did not attempt to follow up on the claim or make a job offer to return the employee to work due to a lack of time and competing priorities. In chargeback year 2012, the employee received about \$83,000 in potential improper compensation benefits.
- In January 2010, a physician provided medical evidence to release an employee claiming an elbow injury to return to work that same month. According to the specialist, because her primary focus was managing only the newer WCP cases, she was not aware that the employee could be returned to work. This employee was still on VA's chargeback rolls as of October 2013. In chargeback year 2012, the employee received about \$51,000 in improper compensation benefits.

**No Fraud
Detection**

VHA still has not established a process for, or consistently devoted time to, detecting WCP claims fraud while managing case files. In our 2011 audit, we reported VHA had not established a fraud detection and referral process and recommended that VHA develop such procedures. According to a VHA official, as of October 2013, the administration did not implement our recommendation because VHA was trying to fill its national WCP manager position and was unable to dedicate the time necessary to establish a fraud detection and referral process.

In 1999, to enhance VHA's fraud detection efforts, the OIG issued the *Handbook for VA Facility Workers' Compensation Program Case Management and Fraud Detection* (Report No. 9D2-G01-064, April 14, 1999). This handbook contains key information and instructions to aid individual VA facility WCP coordinators and specialists with day-to-day WCP case management and fraud detection. The handbook also includes worksheets to aid specialists in identifying potential fraud and provides examples for fraud profiling.

Five of the claims in this current work included indicators of potential fraud. We referred these cases to the OIG Office of Investigations. Establishing a fraud identification and reporting process would be beneficial to reduce fraudulent claims costs, not only for VHA but also for VA as a whole.

Conclusion

Similar to our 2011 audit, we are reporting that VHA needs to ensure specialists are adequately monitoring WCP cases. Active case monitoring helps ensure proper payments to eligible claimants until they are medically able to return to work. Without oversight to ensure WCP case files are complete with up-to-date medical reports, proper staff interpretation of FECA requirements to make job offers, and sufficient staff resources to manage cases, VHA is at risk of incurring costs for improper benefits made to ineligible claimants capable of resuming professional duty.

Through an effective system of management controls to facilitate effective case file management for an estimated 489 of the 793 active case files, VHA could have put \$15.4 million to better use during chargeback year 2012. VHA could also potentially prevent as much as \$76.8 million in overpayments over the next 5 years. Further, had VHA ensured sufficient staff resources and all specialists had the FECA knowledge, the specialists would have been more equipped to consistently make suitable job offers, and VHA could have returned an estimated 34 WCP claimants to work and avoided \$1.3 million in annual WCP compensation payments.

We estimated, from 7 years of historical costs, that VHA paid \$2.3 million in questionable compensation benefits to claimants who could have returned to work. Due to the lack of case file monitoring VHA overlooked these claimants. By returning claimants to work where possible in the future, VHA could avoid paying \$6.4 million over the next 5 chargeback years and

put these funds to better use. Collectively, VHA could put an estimated \$83.3 million to better use over the next 5 chargeback years with enhanced case monitoring and efforts to return medically able employees to work.

Recommendations

4. We recommended the Acting Under Secretary for Health implement controls to ensure workers' compensation staff who are responsible for case management make job offers to medically able employees (*repeat recommendation from the 2004 and 2011 VA Office of Inspector General audit reports*).
5. We recommended the Acting Under Secretary for Health ensure medical center directors assign adequate staff to manage Workers' Compensation Program cases (*repeat recommendation from the 2004 and 2011 VA Office of Inspector General audit reports*).
6. We recommended the Acting Under Secretary for Health develop and implement fraud identification and referral procedures (*repeat recommendation from the 2011 VA Office of Inspector General audit report*).

Management Comments

The Acting Under Secretary for Health concurred with our findings and recommendations and plans to complete all corrective actions by May 29, 2015. VHA published a guidebook that provides steps on how to address light duty and permanent job offers. VHA's National WCP manager plans to train facility WCP staff on how to make light duty and permanent job offers. Further, VHA's National WCP manager will coordinate with the Office of the Deputy Under Secretary for Health for Operations and Management to develop a memorandum that requires facility WCP staff to evaluate medical documentation and make job offers to medically able employees in accordance with VHA's guidebook. The memorandum will also remind VISN and facility directors of their responsibility to ensure necessary resources by implementing staffing plans and appropriately staffing the WCP office.

VHA's National WCP manager completed a staffing assessment that identifies the facilities that are not meeting the 1 to 1,200 full-time employee equivalent ratio identified in the 2010 Human Resource Delivery Model. Additionally, since August 2013, VHA's National WCP Manager has conducted nine compliance site visits and trained the VISN workers' compensation coordinators on site visit protocols. During the site visits, teams reviewed WCP case files and assessed factors, such as staffing levels, staff tenure, and training.

To address the lack of fraud identification and referral procedures, VHA provides WCP facility staff two Websites to view two OIG reports—

Protocol Package for VISN WCP Case Management and Fraud Detection (Report No. 9D2-G01-002, April 14, 1999) and *VA's Handbook for VA Facility Workers' Compensation Program Case Management and Fraud Detection* (Report No. 9D2-G01-064, April 14, 1999). VHA plans to develop a checklist of fraud indicators and provide training on identifying potential fraud and making referrals. Lastly, VHA's National WCP manager will coordinate with the Office of the Deputy Under Secretary for Health for Operations and Management to develop a memorandum that requires facility WCP staff to assess claims, compare them to the developed checklists, and complete referrals to the OIG's Office of Investigations.

Appendix A Background

FECA Overview

The Federal Employee Compensation Act (FECA) provides compensation and medical benefits to civilian employees of the Federal Government for personal injuries or diseases sustained during 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.

OWCP Responsibilities

Currently, the Division of Federal Employees' Compensation within the DOL's OWCP administers the WCP. OWCP adjudicates claims and manages ongoing cases. OWCP provides vocational rehabilitation to injured employees and refers employees to medical specialists for second opinion examinations. OWCP also assists agencies in returning injured employees to work when they are medically able. OWCP makes benefit payments from the Employees' Compensation Fund and bills each employing agency annually through a chargeback report. Each agency then reimburses the fund, 2 years in arrears, through annual operating appropriations.

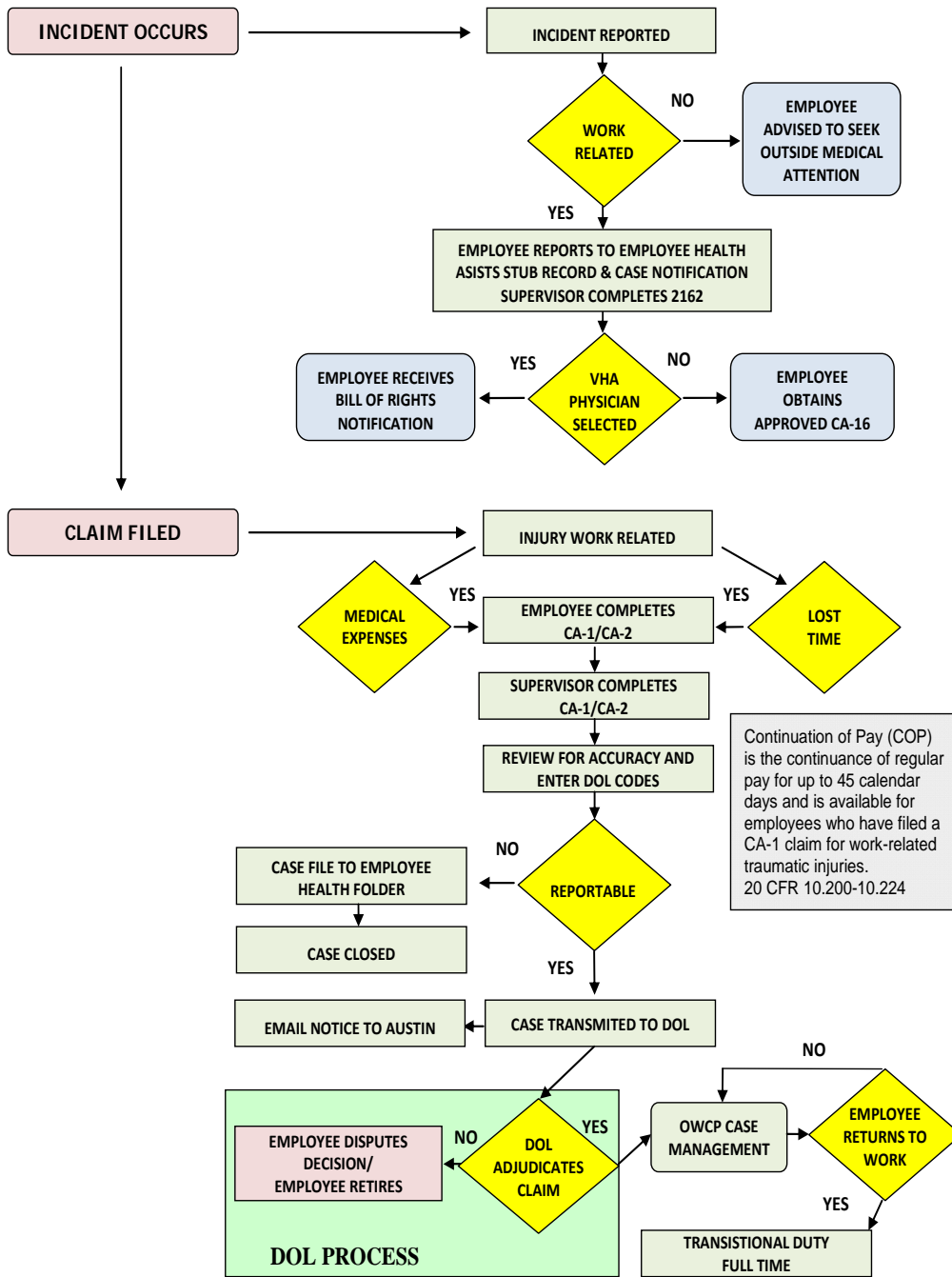
VHA Responsibilities

Publication CA-810, *Injury Compensation for Federal Employees*, and related guidance outline VHA's case management responsibilities. These responsibilities include:

- Ensuring that supervisors understand their responsibilities under FECA
- Notifying the injured employees of their rights and obligations under FECA
- Initiating FECA claims timely by submitting claims to DOL within 10 days of the date of the employee's signature
- Initiating FECA claims accurately by ensuring the five basic elements of a claim are present
- Challenging or disputing questionable claims that do not include the five basic elements
- Monitoring the medical status of injured employees, and as soon as they are medically able, helping them return to work—providing light or modified work duties as appropriate

Figure 2 illustrates the basic claims process from when an incident occurs to the point where OWCP adjudicates a claim.

Figure 2. Basic Claims Process from Incident to Claim Adjudication



Source: OIG-developed based on the 2006 VA WCP Strategic Plan and the 2004 Workers' Compensation Guidebook

Appendix B Scope and Methodology

Scope

We conducted our audit work from January 2013 through April 2014. We limited our review to VHA controls for accurate WCP claims initiation and returning medically able employees to work. We focused on open and active WCP claims that OWCP paid during chargeback year 2012 (from July 1, 2011, through June 30, 2012), which represented the most current audit data available.

Methodology

We evaluated the local processes and procedures WCP specialists used to manage WCP claims by obtaining relevant documentation, such as employee compensation forms and medical examination reports. We conducted case file reviews on sample cases selected from 12 VA medical facilities (1 with certainty and 11 randomly selected); however, we only visited 4 sites due to the large number of sampled case files. Table 2 lists the four VA medical facilities we visited:

Table 2. VA Medical Facilities and Locations

| Facility Name | Facility Location |
|--------------------------------------|-------------------|
| VA North Texas VA Health Care System | Dallas, TX |
| Edward Hines, Jr. VA Hospital | Hines, IL |
| VA San Diego Healthcare System | San Diego, CA |
| Philadelphia VA Medical Center | Philadelphia, PA |

Source: VA OIG

We also interviewed VHA's program manager and met with VISN managers, medical facility officials, and WCP specialists.

Further, we reviewed and discussed each case exception with WCP specialists and obtained their written agreement with the discrepancies identified. We reviewed applicable Federal laws and regulations, prior VA OIG and Government Accountability Office audit reports, and VA and VHA policies related to WCP. We also assessed the implementation of recommendations from our September 2011 audit report.

To assess whether specialists accurately initiated WCP claims, we examined employee compensation forms and initial medical evidence to ensure the five elements of a claim were met. To evaluate VHA's return to work efforts, we reviewed medical evidence available in the WCP case files and determined whether the treating physicians documented work capacity. When updated medical evidence was present indicating employees could work, we examined the case files to identify documentation such as VHA or DOL

memos offering jobs to the employees. We then looked for signed job acceptance letters from the employees.

To assess VHA's effectiveness in identifying and reporting potential WCP fraud, we developed a fraud review sheet listing fraud indicators, such as low medical expenses and high compensation (70 percent or more of total payments) and dual benefits.⁴ We used the review sheet to analyze WCP cases when fraud indicators arose during our review. For example, when we identified a potential dual benefits payment, we determined whether the employee's VA disability benefits increased because of his or her work-related injuries.

Data Reliability

We used computer-processed data from DOL's OWCP National Case File Management System for our WCP claims sample selection. We compared the universe of data to VA's Workers' Compensation Office of Safety and Health Management Information System and did not identify discrepancies in the data.

To test the reliability of this data, we compared WCP claimant data from the system, such as case numbers, dates of injury, and dates of birth, to source documentation from our sample of 152 WCP case files. We found no significant discrepancies.

We also tested completeness of the computer-processed data by nonstatistically selecting 40 hard copy files maintained at the medical facilities and validating them against the universe of claims we generated from the system. The number of cases selected was considered adequate and we found no significant discrepancies. Thus, we concluded that the data were sufficiently reliable for our audit objectives.

Government Standards

Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted Government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

⁴ Dual benefits payments occur when an employee who is also a veteran inappropriately receives concurrent WCP and VA compensation payments for the same injury.

Appendix C Statistical Sampling Methodology

Approach

To evaluate the extent to which VHA accurately initiated WCP claims and returned WCP claimants to work, we selected a representative sample of WCP open and active claims for review.

We considered a WCP claim to have an exception when:

- VHA did not maintain a complete WCP claims file.
- VHA did not accurately initiate the claim by ensuring it included the five required elements, such as performance of duty and causal relationship.
- VHA did not obtain updated medical evidence to support continued benefits for the WCP claimed injury.
- VHA did not make job offers to employees with work capacity.

We reviewed each resulting exception with WCP staff at each VA medical facility we included in our audit. WCP staff demonstrated agreement with the exceptions by signing case review sheets.

Population

VHA's WCP population consisted of about 16,709 claims totaling about \$188 million during chargeback year 2012. These figures represent about 93 percent of VA's 17,978 WCP claims totaling about \$202 million. VA's annual program costs have increased 11 percent since our last audit—from \$182 million in 2010.

We limited our review to active claims filed on or after July 1, 2004, with compensation payments of \$10,000 or more through June 30, 2012. We also used the following four status codes as additional parameters because VHA had the largest number of cases on the daily roll, and VA and OWCP recommended that VHA workers' compensation specialists prioritize and review cases with the remaining categories first.

- **Daily Roll.** The WCP claimant's initial anticipated period of disability is unclear, or the disability is expected to continue for less than 60 to 90 days.
- **Periodic Roll.** DOL is developing the case for reemployment potential or to determine whether the employee's continued disability resulted from workplace injury. WCP cases remain in Periodic Roll status until DOL determines future entitlement.
- **Periodic Roll Loss of Wage Earning Capacity.** The WCP claimant has returned to work with some loss of actual earnings or a reduction in benefits to reflect partial earning capacity.
- **Periodic Roll No Wage Earning Capacity.** DOL determined that the claimant is unable to work and has no wage earning capacity.

The remaining WCP claims were closed or not eligible to be sampled and were not included in our audit. Our WCP audit universe was comprised of 793 claims. Table 3 provides a breakout of the types of claims.

Table 3. Types of Workers' Compensation Claims

| | |
|---|----------------------|
| Total VHA Cases on 2012 Chargeback Rolls | 16,709 |
| Closed claims on the 2012 chargeback report | (4,050) |
| Claims with less than \$10,000 compensation | (9,153) |
| Claims without the four status codes | (538) ¹ |
| Claims filed prior to July 1, 2004 | (2,175) ² |
| Total in Audit Universe | 793 |

Source: DOL OWCP 2012 Chargeback Report

Note 1: We excluded claims without the four status codes because VA and OWCP recommended that VHA workers' compensation specialists first prioritize and review cases using the status codes of DR (Daily Roll), PR (Periodic Roll), (PW) Periodic Roll Loss of Wage Earning Capacity, and (PN) Periodic Roll No Wage Earning Capacity.

Note 2: During our discussion with the DOL OWCP, we agreed to limit our review to cases started in chargeback year 2005—July 1, 2004, forward—which was the chargeback year DOL OWCP deployed its electronic WCP case file management system.

Sampling Design

We conducted a two-stage random sample of all claims identified in the WCP population. In the first stage, we selected one VA medical facility with certainty (North Texas VA Health Care System) as part of our pre-sampling review to test our methodology. We ultimately selected 12 facilities for inclusion in our sample. The other 11 VA medical facilities were randomly selected using probability proportional to the total number of open WCP claims maintained at each facility. This helped ensure that facilities with the largest number of WCP claim files had a higher probability of selection.

In the second stage, we selected the WCP cases we would review at each sample facility. We developed a statistical sample of 152 claims using three parameters—WCP claims filed on or after July 1, 2004; total compensation benefits paid of about \$10,000 or more during chargeback year 2012 (from July 1, 2011, through June 30, 2012); and WCP cases that DOL assigned one of the four status codes of DR, PR, PW, PN (see Table 2, Note 1). We removed five WCP cases from the eligible WCP population where OIG had open investigations.

Table 4 lists the 11 VA medical facilities randomly selected.

Table 4. VA Medical Facilities and Locations

| Facility Name | Facility Location |
|---|-------------------|
| Edward Hines, Jr. VA Hospital | Hines, IL |
| VA San Diego Healthcare System | San Diego, CA |
| Philadelphia VA Medical Center | Philadelphia, PA |
| Canandaigua VA Medical Center | Canandaigua, NY |
| Atlanta VA Medical Center | Decatur, GA |
| Chillicothe VA Medical Center | Chillicothe, OH |
| Tomah VA Medical Center | Tomah, WI |
| Cheyenne VA Medical Center | Cheyenne, WY |
| Albany Stratton VA Medical Center | Albany, NY |
| Wm. Jennings Bryan Dorn VA Medical Center | Columbia, SC |
| VA Northern California Health Care System | Mather, CA |

Source: VA OIG

Weights

We calculated estimates in this report using weighted sample data. Sampling weights are computed by taking the product of the inverse of the probabilities of selection at each stage of sampling. We used these weights to compute population estimates from the sample findings. To avoid any sampling bias, we adjusted the sample result weights so that weighted sample totals were equal to known population totals for the counts and costs of claims.

Projections and Margins of Error

From our sample review, we identified 95 out of 152 case files with at least one exception for inaccurate claims initiation, incomplete case files, and inadequate monitoring for return to work. We projected the sample results across the audit universe of 793 claims cases to develop estimates of counts and costs for each exception type.

The margins of error and confidence intervals are indicators of the precision of the estimates. If we repeated this audit with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time. Table 5 represents the midpoint projections for all the estimates.

Table 5. Midpoint Projections of Sample Results for the Workers' Compensation Program Audit Universe
(in millions)

| Type of Exception | Sample Size | Projected Count | Projected Percent | Projected Annual Compensation | Projected Past Compensation | Projected Future ¹ Compensation |
|--|-------------|-----------------|-------------------|-------------------------------|-----------------------------|--|
| Finding 1 Inaccurate Initiation Missing and Insufficient Initial Medical | 10 | 56 | 7.0% | \$2.4 | NA | \$11.9 |
| Total Finding 1 | 10 | 56 | 7.0% | \$2.4 | NA | \$11.9 |
| Finding 2 Incomplete Case Files Missing Updated Medical Missing EN-1032 | 70 | 455 | 57.4% | \$15.4 | NA | \$76.8 |
| | 22 | 125 | 15.7% | \$3.8 | NA | \$19.0 |
| | 48 | 331 | 41.7% | \$11.6 | NA | \$57.8 |
| Finding 2 No Job Offer Requirement Misinterpretation Insufficient Resources | 15 | 34 | 4.3% | \$1.3 | \$2.3 | \$6.4 |
| | 12 | 27 | 78.5% | \$1.1 | \$2.0 | \$5.7 |
| | 3 | 7 | 21.5% | \$0.1 | \$0.3 | \$0.7 |
| Total Finding 2 | 85 | 489 | 61.7% | \$16.7 | \$2.3 | \$83.3 |
| Grand Total² | 95 | 545 | 68.7% | \$19.0 | \$2.3 | \$95.2 |

Source: Analysis of our statistical sample results

Note 1: Future compensation is the annual compensation multiplied by five and represents the 5-year projection.

Note 2: Columns may not sum due to rounding.

Table 6 represents the midpoint and a lower/upper limit respectively of the sample estimates (projections) and associated margins of error regarding attributes. The lower/upper limits form 90 percent confidence intervals around the mid-point estimates. The margins of error and confidence intervals are indicators of the precision of the estimates.

Table 6. Lower/Upper Limits of Sample Projections and Margins of Error
----- Attributes -----

| Type of Exception | Sample Size | Projected Count Midpoint | Projected Count Margin of Error | Projected Count Lower Limit (90% CI ¹) | Projected Count Upper Limit (90% CI ¹) | Projected Percent Midpoint | Projected Percent Margin of Error | Projected Percent Lower Limit (90% CI ¹) | Projected Percent Upper Limit (90% CI ¹) |
|--|-------------|--------------------------|---------------------------------|--|--|----------------------------|-----------------------------------|--|--|
| Finding 1 | | | | | | | | | |
| Inaccurate Initiation | 10 | 56 | 31 | 24 | 87 | 7.0% | 3.9% | 3.1% | 10.9% |
| Missing and Insufficient Initial Medical | | | | | | | | | |
| Total Finding 1 | 10 | 56 | 31 | 24 | 87 | 7.0% | 3.9% | 3.1% | 10.9% |
| Finding 2 | | | | | | | | | |
| Incomplete Case Files | 70 | 455 | 58 | 397 | 514 | 57.4% | 7.4% | 50.1% | 64.8% |
| Missing Updated Medical | 22 | 125 | 51 | 73 | 176 | 15.7% | 6.5% | 9.3% | 22.2% |
| Missing EN-1032 | 48 | 331 | 48 | 283 | 378 | 41.7% | 6.0% | 35.7% | 47.7% |
| Finding 2 | | | | | | | | | |
| No Job Offer | 15 | 34 | 19 | 15 | 53 | 4.3% | 2.4% | 1.9% | 6.7% |
| Requirement Misinterpretation | 12 | 27 | 15 | 12 | 42 | 78.5% | 19.7% | 58.8% | 98.2% |
| Insufficient Resources | 3 | 7 | 8 | 3 ² | 15 | 21.5% | 19.7% | 1.8% | 41.2% |
| Total Finding 2 | 85 | 489 | 55 | 434 | 544 | 61.7% | 6.9% | 54.8% | 68.6% |
| Grand Total | 95 | 545 | 61 | 484 | 606 | 68.7% | 7.7% | 61.1% | 76.4% |

Source: Analysis of our statistical sample results

Note 1: CI = Confidence Interval

Note 2: True lower limits cannot be less than the sample finding.

Note 3: Columns may not sum due to rounding.

Table 7 represents the midpoint and a lower/upper limit respectively of the sample estimates (projections) and associated margins of error regarding compensation. The lower/upper limits form 90 percent confidence intervals around the mid-point estimates. The margins of error and confidence intervals are indicators of the precision of the estimates.

Table 7. Lower/Upper Limits of Sample Projections and Margins of Error
 ----- Compensation (in millions) -----

| Type of Exception | Sample Size | Projected Annual Midpoint | Projected Annual Margin of Error | Projected Annual Lower Limit (90% CI ¹) | Projected Annual Upper Limit (90% CI ¹) | Projected Past Midpoint | Projected Past Margin of Error | Projected Past Lower Limit (90% CI ¹) | Projected Past Upper Limit (90% CI ¹) |
|--|-----------------------|----------------------------------|----------------------------------|---|---|--------------------------------|--------------------------------|---|---|
| Finding 1 Inaccurate Initiation Missing and Insufficient Initial Medical | 10 | \$2.4 | \$1.6 | \$0.8 | \$4.0 | N/A | N/A | N/A | N/A |
| Total Finding 1 | 10 | \$2.4 | \$1.6 | \$0.8 | \$4.0 | N/A | N/A | N/A | N/A |
| Finding 2 Incomplete Case Files Missing Updated Medical Missing EN-1032 | 70 22 48 | \$15.4 \$3.8 \$11.6 | \$3.2 \$1.5 \$3.0 | \$12.2 \$2.3 \$8.6 | \$18.6 \$5.3 \$14.5 | N/A N/A N/A | N/A N/A N/A | N/A N/A N/A | N/A N/A N/A |
| Finding 2 No Job Offer Requirement Misinterpretation Insufficient Resources | 15 12 3 | \$1.3 \$1.1 \$0.1 | \$0.8 \$0.7 \$0.1 | \$0.5 \$0.4 \$0.1 ² | \$2.1 \$1.9 \$0.3 | \$2.3 \$2.0 \$0.3 | \$1.5 \$1.5 \$0.3 | \$0.8 \$0.6 \$0.2 ² | \$3.9 \$3.5 \$0.6 |
| Total Finding 2 | 85 | \$16.7 | \$3.1 | \$13.5 | \$19.8 | \$2.3 | \$1.5 | \$0.8 | \$3.9 |
| Grand Total | 95 | \$19.0 | \$3.3 | \$15.8 | \$22.3 | \$2.3 | \$1.5 | \$0.8 | \$3.9 |

Source: Analysis of our statistical sample results

Note 1: CI = Confidence Interval

Note 2: True lower limits cannot be less than the sample finding.

Note: 3: Columns may not sum due to rounding.

Appendix D Potential Monetary Benefits in Accordance With Inspector General Act Amendments

| Recommendation | Explanation of Benefits | Better Use of Funds | Questioned Costs |
|-----------------------|---|----------------------------|-------------------------|
| 1, 2 | Estimated WCP costs that could be potentially avoided over the next 5 chargeback years through implementing standard case management procedures | \$11,900,000 | \$0 |
| 4 | Estimated WCP costs that could be potentially avoided over the next 5 chargeback years through improved case management | \$76,800,000 | \$0 |
| 5 | Estimated WCP costs that could be potentially avoided over the next 5 chargeback years through returning medically able employees to work | \$6,400,000 | \$0 |
| | Estimated past WCP payments | \$0 | \$2,300,000 |
| | Total | \$95,200,000 | \$2,300,000 |

Appendix E Acting Under Secretary for Health Comments

Department of Veterans Affairs

Memorandum

Date: June 10, 2014

From: Acting Under Secretary for Health (10)

Subj: OIG Draft Report, Follow-Up Audit of VHA's Workers' Compensation Case Management (2011-003230R6-0017) (VAIQ 7479914)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to review the draft report, Follow-Up Audit of VHA's Workers' Compensation Case Management.
2. I have reviewed the draft report and concur with the report's recommendations. Attached is the Veterans Health Administration's corrective action plan for recommendations 1 through 6.
3. If you have any questions, please contact Karen M. Rasmussen, M.D., Director, Management Review Service (10AR), at (202) 461-6643 or email VHA10ARMRS2@va.gov.



Robert L. Jesse, MD, PhD

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)

Action Plan

OIG Draft Report, Follow-Up Audit of VHA's Workers' Compensation Case Management

Date of Draft Report: May 8, 2014

| Recommendations/ Actions | Status | Completion Date |
|-----------------------------|--------|--------------------|
|-----------------------------|--------|--------------------|

Recommendation 1. We recommend the Under Secretary for Health establish Workers' Compensation Program case file documentation standards so that specialists ensure case files are complete (*repeat recommendation from the 2004 and 2011 VA OIG audit reports*).

VHA Comments

Concur.

The VHA National Workers' Compensation Program (WCP) has established WCP case file documentation standards to ensure specialists complete case files.

1. In July 2013, WCP published the VHA Workers' Compensation Guidebook. Section 2.6.1, *Files Maintenance*, addresses case file documentation standards and identifies the types of documents that are required and where they should be placed within a six-part case file.

Status: Completed

Completion Date: July 2013

To complete this action, VHA will provide documentation of:

- The VHA Workers' Compensation Guidebook (see Attachment 1).

2. In April 2014, WCP trained facility WCP staff on Case File Management and File Maintenance through a WC Case Review Lync Meeting. The training discussed case file documentation standards, as well as the six-part folder option for storing appropriate documents.

Status: Completed

Completion Date: April 2014

To complete this action, VHA will provide documentation of:

- Training presentation material for Case File Management training (see Attachment 2).
- Participant list and evaluation ratings of training presented (see Attachment 3).

3. WCP is in the process of developing a Program Bulletin, including a case file review checklist that will provide instruction regarding the types, frequencies, and appropriate documents necessary for proper case management. This standardized checklist will allow the facility WCP staff to understand what is required, to obtain necessary case file documentation and to record documents as they are entered into a case file. This will assist WCP staff to ensure that case file documentation is complete.

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- Program Bulletin to all WCP staff on case file documentation requirements.
 - Copy of the Case File Review Checklist and Tracking Sheet.
4. WCP will collaborate with the Office of the Deputy Under Secretary for Health for Operations and Management (DUSHOM) to develop a memorandum to the Veterans Integrated Service Network (VISN) and facility Directors mandating the implementation of the VHA WC Guidebook processes.

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- DUSHOM memorandum to VISN and facility Directors mandating the implementation of the VHA WC Guidebook processes.

Recommendation 2. We recommend the Under Secretary for Health establish a directive mandating Workers' Compensation Program specialists implement the workers' compensation guidebook to ensure specialists question the validity of claims lacking adequate supporting evidence.

VHA Comments

Concur.

1. WCP implemented the VHA WC Guidebook in July 2013. Section 4.1, *Basic Requirements of a Claim*, provides WCP staffs with detailed information about each of the five elements required for OWCP to accept a workers' compensation claim. Section 4.2, *WCP Staff Responsibility*, describes the regulatory requirement set forth in 20 CFR 10.117 for an employer who has reason to disagree with any aspect of a claimant's evidence package. Section 6.5, *Questionable Claims*, also outlines general steps to evaluate the validity of a claim.

Status: Completed

Completion Date: July 2013

To complete this action, VHA will provide documentation of:

- The VHA Workers' Compensation Guidebook (see Attachment 1).
2. On August 27, 2014, WCP will train facility WCP staff on the appropriate processes to evaluate the validity of claims and challenge the five requirements of a claim appropriately during a WC Case Review Lync Meeting.

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- Training presentation material for Questionable Claims Training.
 - Participant list and evaluation ratings of training presented.
3. WCP will collaborate with the DUSHOM to develop a memorandum to VISN and facility Directors that includes the requirement for VHA facility WCPs to ensure that specialists question the validity of claims lacking adequate supporting evidence.

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- DUSHOM memorandum to VISN and facility Directors.
4. VHA will draft a directive that ensures that procedures for evaluating the validity of claims and challenging the five requirements of a claim are performed appropriately and become official requirements for the program.

Status: In Progress

Completion Date: May 29, 2015

To complete this action, VHA will provide documentation of:

- A draft directive that has received concurrence by the VA Office of General Counsel.

Recommendation 3. We recommend the Under Secretary for Health establish a structure with a clear chain of command to ensure workers' compensation compliance with case management requirements, oversight, and policy enforcement.

VHA Comments

Concur.

WCP is taking steps to establish a structure with a clear chain of command to ensure workers' compensation compliance with case management, oversight, and policy enforcement is documented and communicated throughout VHA.

1. WCP will collaborate with the DUSHOM to develop a memorandum to VISN and facility Directors that identifies the roles and responsibilities of the VHA National WCP with respect to policy development, communication, training, program oversight, and compliance enforcement.

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- DUSHOM memorandum to VISN and facility Directors.

Recommendation 4. We recommend the Under Secretary for Health implement controls to ensure workers' compensation staff who are responsible for case management make job offers to medically able employees (*repeat recommendation from the 2004 and 2011 VA OIG audit reports*).

VHA Comments

Concur.

VHA National WCP is taking steps to ensure that WCP staff responsible for case management make job offers to medically able employees.

1. WCP published the VHA WC Guidebook in July 2013. Section 6.8, *Return to Work*; and Section 9, *Permanent Job Offers*, address light duty assignment and permanent position job offers respectively.

Status: Complete

Completion Date: July 2013

To complete this action, VHA will provide documentation of:

- The VHA Workers' Compensation Guidebook (see Attachment 1).
2. On July 23, 2014, WCP will train facility WCP staff on light duty assignment processes during a WC Case Review Lync Meeting. An additional training for facility WCP staff on the development of permanent job offers is scheduled for July 24, 2014.

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- Training presentation material for Light Duty Assignment Training.
 - Training presentation material for Permanent Job Offers.
 - Participant lists and evaluation ratings of training presented.
3. WCP will collaborate with the DUSHOM to develop a memorandum to VISN and facility Directors that includes the requirement for VHA facility WCPs to evaluate medical documentation and perform appropriate return-to-work actions in accordance with the VHA WC Guidebook.

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- DUSHOM memorandum to VISN and facility Directors

Recommendation 5. We recommend the Under Secretary for Health ensure medical center directors assign adequate staff to manage Workers' Compensation Program cases (repeat recommendation from the 2004 and 2011 VA OIG audit reports).

VHA Comments

Concur.

WCP is taking steps to ensure that facility Directors assign adequate staff to manage the facility WCP cases.

1. WCP has conducted a staffing analysis that identifies VHA facilities that are not meeting the 1:1200 FTEE ratio outlined in the Human Resources Delivery Model (HRDM) 2010 approved by the Under Secretary for Health.

Status: Completed

Completion Date: October 2013

To complete this action, VHA will provide documentation of:

- VHA Facilities with Understaffed WCP Using HRDM2010 Model (see Attachment 4).
2. WCP has conducted 9 of 13 compliance site visits since August 2013. On December 5 and 11, 2013, VISN WC Coordinators were trained on the protocols of conducting site visits and were asked to complete two site visits each in Fiscal Year 2014. Funding and sites to be visited were provided by VHA National WCP. The facilities selected were those having the highest Chargeback Costs in chargeback year 2013. An assessment of staffing based on the HRDM 2010 Staffing Model is included in these site visits and includes other factors such as backlog, tenure and training of the WC specialist and other situational factors to be assessed. Recommendations regarding staffing are included in each site visit report sent to the VISN and facility Director from the DUSHOM along with a request for VISN WC Coordinators to monitor actions taken at the facility on all findings identified in the audit.

Status: In progress

Completion Date: May 29, 2015

To complete this action, VHA will provide documentation of:

- Site Visit Schedule (see Attachment 5).
 - Presentation on VISN Site Visit Protocol (see Attachment 6).
 - Screen Shot of the VHA WCP SharePoint-Site Visits (see Attachment 7).
 - Example of a Site Visit Report which includes staffing assessments and recommendations (see Attachment 8).
3. WCP will collaborate with the DUSHOM to include in the DUSHOM memorandum, a reminder to VISN Directors of their responsibility under VHA Directive 2009-055, *Staffing Plans*, for providing oversight to ensure the provision of necessary resources for facilities to implement appropriate staffing plans. The DUSHOM memorandum will also remind facility Directors of their responsibility to provide necessary resources to implement the staffing plans which include appropriate staffing of the WCP office in accordance with HRDM 2010 model.

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- DUSHOM memorandum to VISN and facility Directors.

Recommendation 6. We recommend the Under Secretary for Health develop and implement fraud identification and referral procedures (repeat recommendation from the 2011 VA OIG audit report).

VHA Comments

Concur.

WCP has taken steps to ensure that procedures for evaluating claims and providers for potential red flags, making referrals to OIG field offices when appropriate are developed and implemented, communicated and trained; and that oversight is provided to ensure that VHA facility WCP staffs are following these standards.

1. WCP references the Protocol Package for VISN WCP Case Management and Fraud Detection (Report No.: 9D2-G01-002, Date: April 14, 1999) in Section 10.7, *Office of Inspector General*, of the VHA WC Guidebook, on the CEOSH Intranet WCP site, and on the VHA WC SharePoint site as a guide to VISN WC Coordinators to implement processes for identifying and referring potentially fraudulent cases to the OIG for resolve.

Status: Completed

Completion Date: April 2014

To complete this action, VHA will provide documentation of:

- The VHA Workers' Compensation Guidebook, Section 10.7 (see Attachment 1).
 - Screenshot of the [CEOSH Intranet WCP](#) site updated April 2014 (see Attachment 10).
 - Screenshot of the VHA WC SharePoint Supplemental Guidance website for Fraud, Waste, and Abuse (see Attachment 11).
2. WCP references the VA OIG's Handbook, *VA Facility Workers' Compensation Program Case Management and Fraud Detection* (Report No. 9D2 G01 064, April 14, 1999) on the CEOSH Intranet WCP site, as well as the VHA WC SharePoint site as a guide for identifying and referring potentially fraudulent cases to the OIG for resolve.

Status: Completed

Completion Date: April 2014

To complete this action, VHA will provide documentation of:

- Screenshot of the [CEOSH Intranet WCP](#) site updated April 2014 (see Attachment 10).
 - Screenshot of the VHA WC SharePoint Supplemental Guidance website for Fraud, Waste, and Abuse (see Attachment 11).
3. WCP plans to develop a more streamlined checklist that can be used in every case at regular intervals to ensure that potential fraud can be identified. In September 24, 2014, WCP will provide VHA facility WCP staff training on potential fraud identification and referrals through a WC Case Review Lync Meeting.

Status: In progress

Completion Date: January 31, 2015

To complete this action, VHA will provide documentation of:

- Copy of the "OIG Red Flags Checklist for Workers' Compensation Cases."
 - Training presentation material for Identification and Referral of Potential Fraud, Waste, and Abuse training.
 - Participant list and evaluation ratings of training presented.
4. WCP will collaborate with the DUSHOM to develop a memorandum to VISN and facility Directors that includes the requirement for VHA facility WCPs to evaluate claims and medical providers against red flag checklists and perform appropriate referral actions to OIG in accordance with the VA OIG's Handbook for VA Facility Workers' Compensation Program Case Management and Fraud Detection (Report No. 9D2 G01 064, April 14, 1999).

Status: In progress

Completion Date: September 30, 2014

To complete this action, VHA will provide documentation of:

- DUSHOM memorandum to VISN and facility Directors

Veterans Health Administration
May 2014

Appendix F Office of Inspector General Contact and Staff Acknowledgments

| | |
|-----------------|--|
| OIG Contact | For more information about this report, please contact the Office of Inspector General at (202) 461-4720. |
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