



Office of Inspector General

AUDIT OF HIGH-RISK AREAS IN THE VETERANS HEALTH ADMINISTRATION'S (VHA) WORKERS' COMPENSATION PROGRAM (WCP)

VHA's WCP costs can be reduced with enhanced management and oversight of claims in certain high-risk areas.

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**Office of Inspector General
Washington DC 20420**



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Acting Under Secretary for Health (10)

**Audit of High-Risk Areas in the Veterans Health Administration's (VHA)
Workers' Compensation Program (WCP)**

1. The purpose of the audit was to assist the Department of Veterans Affairs (VA) Veterans Health Administration (VHA) in assessing the risks for abuse, fraud, and unnecessary costs associated with certain types of Workers' Compensation Program (WCP) claims. The audit was completed as part of the Office of Inspector General's (OIG) continued effort to enhance the effectiveness of VHA's review and oversight of WCP claims. Specifically, the audit reviewed VHA WCP claims involving the following three high-risk areas:

- **Dual Benefits** – Concurrent payments of VA and WCP compensation benefits for the same injury.
- **Non-VHA Employee** – WCP Claimants that were not employed by VHA at time work-related injury occurred.
- **Deceased WCP Claimants** – Deceased WCP claimants whose WCP compensation was not properly terminated or continued entitlement to survivor's benefits was not properly verified.

2. VHA is a major employer with the largest healthcare system in the United States that provides medical service at over 1,150 facilities. Costs for WCP claims by employees that result from injury sustained in the performance of duty are substantial. Under the Federal Employees Compensation Act (FECA) injured employees can receive WCP benefit payments for lost wages and for medical treatment for the specific disability associated with the injury. VHA's Fiscal Year 1999 payment for WCP costs to the Department of Labor (DOL), who administers FECA, will total about \$129.2 million dollars and accounts for about 94.5 percent of the Department's WCP costs. These costs are based upon actual payments made by DOL in Charge Back Year (CBY) 1997 for the period July 1, 1996 to June 30, 1997.

3. The audit found that VHA is vulnerable to abuse, fraud, and unnecessary costs associated with WCP claims in the three high-risk areas reviewed. VHA's management of WCP cases involving these high-risk areas needs to be strengthened to assure the appropriateness of some WCP claims. As a result, VHA incurred unnecessary costs involving WCP claimants who inappropriately received concurrent WCP and VA compensation payments for the same injury. WCP claimants were also inappropriately paid claims out of VHA funds even though they were non-VHA employees at the time injury occurred. WCP claims involving deceased claimants also needed better follow up and more timely termination action to avoid inappropriate payments. Based on the audit results, we estimate that VHA has incurred or will incur about

\$11.2 million in unnecessary costs associated with WCP claims in these three high-risk areas. Additionally, the audit identified five WCP claims that potentially involved program fraud.

4. The OIG continues to work with VHA to target program fraud and reduce WCP costs. An OIG effort is currently underway to develop a WCP fraud awareness pamphlet for distribution to all VHA employees. The report includes recommendations that can further strengthen WCP oversight and reduce VHA's costs by ensuring appropriate payment of claims in high-risk areas. The Acting Under Secretary for Health concurred with the report recommendations and indicated that implementation actions are in process. The Acting Under Secretary also agreed with the monetary benefits figure presented in the report. We consider the report issues resolved and will follow up on planned actions until they are completed.

For the Assistant Inspector General for Auditing

(Original signed by:)

Stephen L. Gaskell
Director, Central Office Operations Division

TABLE OF CONTENTS

	<u>Page</u>
Memorandum to the Acting Under Secretary for Health (10)	i
RESULTS AND RECOMMENDATIONS	
VHA's Workers' Compensation Program (WCP) Costs Can Be Reduced With Enhanced Management Of Claims In Certain High-risk Areas.....	1
Conclusion.....	6
Recommendation.....	7
APPENDICES	
I OBJECTIVES, SCOPE, AND METHODOLOGY	9
II BACKGROUND.....	11
III SUMMARY OF CASE REVIEW RESULTS.....	15
IV CASE REVIEW INSTRUCTIONS AND WORKSHEET	19
V SUMMARY OF CASES AND COSTS IN EACH HIGH-RISK AREA.....	25
VI MONETARY BENEFITS IN ACCORDANCE WITH IG ACT AMENDMENTS	29
VII ACTING UNDER SECRETARY FOR HEALTH COMMENTS	31
VIII FINAL REPORT DISTRIBUTION	33

RESULTS AND RECOMMENDATIONS

VHA's Workers' Compensation Program (WCP) Costs Can Be Reduced With Enhanced Management Of Claims In Certain High-risk Areas

The audit found that the Veterans Health Administration (VHA) is vulnerable to abuse, fraud, and unnecessary costs associated with WCP claims in the following three high-risk areas.

- **Dual Benefits** – Claimants not entitled to receive VA and WCP compensation benefits for the same injury.
- **Non-VHA Employees** – Claimants that were not employed by VHA when the work-related injury occurred.
- **WCP Death Cases** – Deceased claimants whose WCP compensation was not properly terminated or whose continued entitlement to survivors benefits is not properly verified.

We estimate that VHA has incurred or will incur about \$11.2 million in unnecessary WCP costs associated with claims in these three high-risk areas. *(A summary of the dollar impact of the case review results is presented in Appendix III on pages 15-17.)* The audit also identified five WCP claims involving potential program fraud. These five cases have been referred to the OIG Office of Investigations.

WCP claimants are not entitled to receive VA and WCP compensation benefits for the same injury

WCP and VA regulations prohibit concurrent payments of VA Compensation and Pension (C&P) and WCP compensation for the same injury or disability. The term “concurrent payments” means receipt of future increases in VA C&P benefits at the same time WCP compensation is received. The term “same injury or disability” means a preexisting injury or disability that VA has determined to be connected to military service that was re-injured or aggravated by an on-the-job injury. Generally, the beneficiary is required to elect which benefit to receive. *(A discussion of these regulations is presented in Appendix II on page 12.)*

Through an automated analysis of WCP cases in VA's Workers' Compensation Management Information System (WC-MIS) and beneficiary claims in VA's C&P system, we identified 1,251 WCP claimants that were also receiving VA C&P benefits. *(A table of the break down of the 1,251 cases and costs, by Veterans Integrated Service Network (VISN), is presented in Appendix V on page 25.)* Charge-Back-Year (CBY) 1998 compensation costs for these cases totaled about \$9.8 million with the annual VA C&P award costs estimated to be about \$8.5 million. In conjunction with our WCP assistance to VISN 2 (Albany, New York), VISN 8 (Bay Pines, Florida--included only the San Juan, Puerto Rico facility), and VISN 22 (Long Beach, California) we reviewed 170 WCP claimants in these VISNs who were also receiving C&P benefits. As summarized on the next page, CBY 1998 compensation costs for the 170 WCP claimants in these VISNs totaled about \$1.6 million and annual C&P payments totaled about \$1.1 million.

Potential Dual Benefit Cases Reviewed¹

VISN	Number of Claimants	CBY 1998 WCP Compensation Costs	Estimated Annual VA C&P Compensation
2	56	\$491,029	\$442,728
8 (San Juan)	18	\$277,592	\$162,228
22	96	\$787,707	\$503,220
Totals	170	\$1,556,328	\$1,108,176

Our review of WCP and C&P beneficiary records found that in 113 (66 percent) of the 170 cases, the claimants had not received WCP compensation for an injury related to the C&P condition. In the remaining 57 cases, the WCP condition (work related injury) was similar to the VA C&P condition. In 20 of the 57 cases, we found that VA C&P and DOL OWCP case files were located outside the responsible VISN's geographical area. Due to the age of the claimants and low amount of benefit payments, no further review was conducted on these cases. Our review of the remaining 37 cases identified 8 cases (21.6 percent) involving dual benefits. The listing below shows that the 8 claimants received \$640,063 in increased VA C&P benefits while receiving WCP compensation totaling \$548,685 for the same work-related injury.

Listing of Dual Benefit Exception Cases By VISN

OIG Control No.	Date of Injury	Dual Benefits Received (5/99)	Estimated Dual Benefits		Estimated Dual Benefits To Age 70	
			Increase C&P	OWCP Comp.	VA C&P	OWCP
VISN 2						
2-1	02/13/89	3.8 Years	\$32,454	\$56,386	N/A-Pension would be reduced to \$0	
2-2	01/07/91	2.4 months	\$3,459	\$2,217	Temporary increase in VA C&P	
2-3	12/09/76	18 Years	\$331,018	\$183,822	Closed WCP case	
2-4	06/20/97	54 days	\$146	\$1,402	Closed WCP case	
VISN 8 (San Juan)						
8-1	06/16/87	5.5 Years	\$62,334	\$76,476	\$272,016	\$333,720
VISN 22						
22-1	06/30/94	1.7 Years	\$12,979	\$23,384	Closed WCP case	
22-2	12/21/84	7.3 Years	\$110,377	\$117,816	\$39,600	\$181,764
22-3	12/08/88	10.3 Years	\$87,296	\$87,182	N/A – Survivor 73 years old	
Grant Total For 8 Dual Benefit Cases			\$640,063	\$548,685	\$311,616	\$515,484

Although our review concentrated on only VISN 2, 8, and 22 cases, we estimate that if the same rate of occurrence for potential dual benefits were found throughout VHA, unnecessary WCP costs associated with these claims would increase by \$7.8 million. (*A summary of the dollar impact of the case review results is presented in Appendix III on pages 15-17.*)

The following case examples identify the type of situations we found where veteran employees received increases in VA C&P benefits while also receiving WCP compensation for the same injury.

¹ WCP compensation costs are actual costs from July 1, 1997 to June 30, 1998 and annual VA C&P Costs are based on the monthly award amount times 12 months.

- A veteran employee injured his lower back while working at a VA Medical Center (VAMC) in 1989 and was awarded WCP benefits. At the time of this injury, the veteran employee was also receiving VA compensation for a back condition. The veteran employee requested an increase in his VA C&P award in 1993 that was denied. Another request was made in 1995; however, the veteran did not properly report his WCP compensation to VA when applying for the increase in VA C&P benefits. Rather than an increase in VA C&P compensation, the veteran was awarded non service-connected pension because it paid more. Although the veteran employee is entitled to receive both the VA pension and WCP compensation, Regional Office (RO) staff advised that proper reporting of the \$17,695 annual WCP compensation would have significantly reduced the VA pension. At the time of our review, the veteran WCP claimant had received over \$32,000 in VA pension while not properly reporting an estimated \$56,000 in WCP compensation to VA. RO staff initiated appropriate actions to correct pension payments and establish an overpayment.
- A veteran employee injured his lower back by slipping on ice while working at a VAMC in 1976. At the time of the on-the-job injury, the veteran employee was receiving VA C&P benefits for a lower extreme (spine) disability connected to military service. One month after the on-the-job injury, the veteran's C&P award was increased by 50 percent and one month later it was increased another 40 percent due to VA granting Individual Unemployability (IU). We found there was no notice of the on-the-job injury or WCP compensation payments in the C&P claims folder. All of the medical documentation supporting the increase in VA C&P benefits discusses lower back pain. One medical report even attributed the increased pain to a fall in December 1976; however, it did not indicate that it was a work-related injury. Based on our review of a WCP compensation payment history obtained from OWCP and VA C&P rating schedules, the veteran employee received \$333,018 in increased VA benefits while receiving WCP compensation of \$183,821 for the same injury. These dual benefits were received for about 18 years. The WCP compensation has been terminated due to no objective medical support of continued disability from the work-related injury.
- A veteran employee injured his knee while working at a VAMC in 1991. At the time of the work-related injury, the veteran employee was receiving VA C&P benefits for a knee (same knee) disability connected to military service. The veteran requested and was granted a temporary increase of 80 percent for the knee disability. The veteran employee requested a permanent increase in his disability compensation from VA; however, this request was denied. There is clear evidence in the C&P file that the veteran employee's on-the-job injury was related to the C&P condition. In fact, documentation used to obtain the temporary increase was also submitted to OWCP for support of WCP compensation. In this case, the veteran employee received \$3,459 in increased VA C&P benefits while receiving \$2,217 in WCP compensation for the same injury. The veteran employee appealed VA's decision to deny the request for increased C&P benefits. Documentation pertaining to this appeal does not address the issue of concurrent payments.
- A veteran employee injured his back while working at a VAMC in 1984. At the time of his work-related injury, the veteran employee was receiving VA C&P benefits for a back disability connected to military service. The veteran employee's VA C&P benefits were

increased several times to 100 percent due to hospitalization and recovery time. Much of the documentation supporting these temporary increases was the same documentation used to support the continued payment of WCP compensation. Additionally, the veteran employee's C&P benefits were permanently increased by 20 percent as a result of the work-related injury. The veteran employee received about \$110,377 in increased C&P benefits while receiving \$117,816 in WCP compensation for the same work related injury. Based on our review of the most recent payment data, the veteran employee will receive about \$39,600 in C&P benefits and \$181,764 in WCP compensation by age 70 if these dual benefits continue to be paid.

VHA needs to ensure that its WCP case management and oversight review efforts identify potential dual benefit cases to reduce the opportunity for inappropriate benefit payments in this high-risk area. Veteran identifying information can be obtained from OWCP Form CA-7 (Claim for Compensation on Account of Traumatic Injury or Occupational Disease) that is used by employee claimants to request WCP compensation after 45 days of Continuation of Pay has stopped and continued disability prevents return to work. Question 12 on this form requests VA benefit information such as claim number, address of the VA office (RO) where the claim is on file, and nature of disability. VHA facility WCP staff should review this form when received, and notify the appropriate RO on any cases where the claimant has reported receiving VA C&P benefits. This will help assure that RO staff is aware of potential dual benefit cases and can take appropriate action to avoid inappropriate dual payment of VA C&P and WCP benefits.

VHA should also review the remaining 1,081 potential dual benefit cases we identified for other VISNs that were not reviewed during the audit to assure that all of these type of inappropriate benefit payments are stopped. *[A list of cases for each VISN to review will be provided to the Chief Network Officer (CNO).]* To facilitate this review process, facility WCP staff can use the case review instructions and worksheet we developed to accomplish our case reviews that is discussed in Appendix IV on pages 19-23.

Some claimants on VHA's WCP rolls were not employed by VHA at the time of their work-related injury

Our review found that VHA is incurring WCP costs for claimants that were not employed by VHA at the time of their injury. This situation has occurred because VHA has performed administrative and fiscal functions for other Department elements, such as the Veterans Canteen Service (VCS) and the National Cemetery Administration (NCA) that resulted in inappropriate payment of WCP costs for these activities. Additionally, we found that WCP claimants that worked for other Federal agencies at the time of work-related injury have been inappropriately included on VHA's WCP rolls. For example, our fraud targeting efforts in VISN 2 identified two VCS employees and one U. S. Postal Service employee on the VISN's WCP rolls.

An analysis of VA payroll records from January 1, 1990 (oldest date of VA payroll records available) identified 303 WCP claimants that were potentially not employed by VHA at the time of the work-related injury. In CBY 1998, WCP compensation and medical costs for these 303 WCP claimants totaled about \$1.2 million. *(A listing of the number of cases and costs, by VISN, is presented in Appendix V on page 26.)*

As summarized below, we found that in CBY 1998 VHA incurred \$237,375 in unnecessary costs associated with WCP claims for 63 claimants that were not employed by VHA at the time of their work-related injury. Additionally, if these claims continue to be paid with VHA's funds, VHA will incur an additional \$2,091,899 in future unnecessary WCP costs.

Listing of Non-VHA Employee WCP Case Exceptions

Review Exceptions	No. Cases	CBY 1998 WCP Costs²	WCP Costs To Age 70³
VCS Employees	4	\$2,071	\$0
NCA Employees	2	\$22,077	\$145,200
Sub Total	6	\$24,148	\$145,200
Additional VCS	57	\$213,227	\$1,946,699
Total Non Employees	63	\$237,375	\$2,091,899

Our analysis of VHA's CBY 1998 WCP cases and VA payroll records identified 61 VCS employees nation-wide that were included in VHA's CBY costs. Our review of 4 of these cases in VISNs 2, 8, and 22 confirmed that the VCS employees were inappropriately included on VHA's CBY costs since the employees were not employed by VHA at the time of the work related injury. As a result of our review results, VHA needs to evaluate the appropriateness of the remaining 57 VCS employees we identified that are included in its CBY costs nationally for all VISNs. *(A list of the cases to be reviewed by each VISN will be provided to the CNO.)* Additionally, our review of potential dual benefits discussed in the previous section of the report identified two WCP claimants inappropriately included in VHA's CBY costs that were employed by NCA at the time of the work-related injury. VHA also needs to take action to remove these claimants from its CBY costs. *(A list of the cases to be reviewed will be provided to the CNO.)* Our review effort in VISN 2, 8, 22 also included an analysis of 40 of the 241 other potential non-VHA WCP employee cases we had identified nationally. The review found that in all of these cases, the employees were employed by VHA at the time of injury and were properly included in VHA's CBY costs. Based on the review results, no additional review effort is recommended for the remaining 201 cases not reviewed.

VHA needs to ensure that WCP claims are timely terminated upon the claimants death and any continued survivor benefits are appropriate

Upon the death of a WCP claimant receiving compensation, the compensation should be timely terminated and appropriate survivor benefits continued. If an employee's death is related to an accepted WCP claim, dependent survivors are entitled to compensation and other benefits. The amount of death benefits will vary depending on the survivor's relationship to the WCP claimant. Additionally, based on this relationship other restrictions will apply. For example, a surviving spouse with no dependents is entitled to 50 percent of the claimant's salary; however, if the spouse remarries before age 55 the compensation will be terminated. To ensure continued entitlement, OWCP requires annual completion of a questionnaire by survivors and dependents.

² CBY 1998 WCP costs include both medical expenses and compensation costs.

³ WCP costs to age 70 is the compensation costs that would be incurred based on most recent CBY compensation costs, and does not include future cost of living increases or medical expenses.

A 1998 OIG national WCP audit and recent fraud targeting efforts found that verification of continued entitlement to survivor's benefits was not completed annually and that little follow up was conducted on questionable responses. For example, these efforts identified several WCP claims where the surviving spouse was receiving additional compensation for dependent children. Review of the case files found indications that the beneficiary was no longer entitled to this additional compensation; however, no action was taken to reduce the benefits nor was any follow up conducted.

Using a file of information on deaths compiled from Social Security Administration and various VA databases; we identified 446 potential deceased WCP claimants. (*A listing of the number of cases and costs, by VISN, is presented in Appendix V on page 27.*) Sixty-three of these cases were located in VISNs 2, 8, and 22. The review of these cases showed that, although follow up could be better, appropriate actions had been taken in 61 cases. In one VISN 22 case, the WCP compensation was not timely terminated because OWCP did not receive timely notification of the claimant's death. Our current review effort found that there had been no action by OWCP on this case regarding a potential overpayment. The VISN 22 WCP Coordinator has initiated follow up with OWCP to ensure that an estimated \$7,338 overpayment is established and collected.

In another case located in VISN 8 (VAMC San Juan), the WCP beneficiary, who receives about \$14,730 annually in survivor benefits, consistently did not answer the question about marital status on annual OWCP questionnaires. Survivor benefits would be terminated if the beneficiary remarries before age 55. The facility's WCP coordinator is taking action to determine the beneficiary's marital status.

VHA needs to review the remaining 383 death benefit WCP cases we identified nationally at VISNs not included in our review effort. This will help ensure that the claims were timely terminated and continued entitlement to survivor benefits is valid. (*A list of the cases to be reviewed will be provided to the CNO.*)

Conclusion

Our audit of the three high-risk areas showed that VHA continues to be vulnerable to abuse, fraud, and unnecessary WCP costs associated with claims involving potential dual benefits, WCP claimants that were not employed by VHA at the time of work related injury, and deceased WCP claimants. The impact of these high-risk areas on VHA's annual WCP costs can be reduced through enhanced review and oversight of WCP claims.

For More Information

- *A summary of case review results is presented in Appendix III on pages 15-17.*
- *A detail discussion of case review instructions and worksheet is presented in Appendix IV on pages 19-23.*

- *A summary of the number of cases and costs in each high-risk area, by VISN, is presented in Appendix V on pages 25-27.*

Recommendation

We recommend that the Acting Under Secretary for Health take the following actions to enhance VHA's WCP management and avoid unnecessary costs by:

- a. Completing a one-time review of the potential dual benefits and death cases identified by the audit for all VISNs, so that any inappropriate claimant benefit payments can be stopped and potential fraud cases can be identified and referred for OIG action.
- b. Removing VCS and NCA employees from VHA's WCP rolls.
- c. Notifying VBA when a veteran employee is injured on the job to ensure that WCP claimants that also receive VA C&P benefits do not inappropriately receive dual benefits for the same injury.

Acting Under Secretary for Health Comments

The Acting Under Secretary for Health concurred with the report recommendations and stated that "we appreciate your continued assistance in improving the effectiveness of the WCP."

Implementation Plan

The Acting Under Secretary indicated that implementation actions for recommendation sections a-c are in process and planned to be completed by September 30, 2000.

(See Appendix VII on pages 31-32 for the full text of the Acting Under Secretary's comments.)

Office of Inspector General Comments

The Acting Under Secretary's comments are responsive to the recommendation sections. The planned timeframe for completing implementation actions by the end of Fiscal Year 2000 is acceptable and reflects VHA's ongoing WCP case review effort nationwide. We are continuing to assist VHA in this effort through training and case review assistance at selected VISNs. We consider the report issues resolved and will follow up on planned actions until they are completed.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The purpose of the audit was to assist the Department of Veterans Affairs (VA) Veterans Health Administration (VHA) in assessing the risk for abuse, fraud, and unnecessary Workers' Compensation Program (WCP) costs in selected high-risk areas. The audit was completed as part of the Office of Inspector General's (OIG) continued effort to enhance the effectiveness of VHA's review and oversight of WCP claims. Specific project objectives were to:

- Identify the total number of potential claimants VHA-wide for each of the following three high-risk WCP areas:
 - (i) **Dual Benefits** – Concurrent payments of VA compensation and WCP compensation for the same injury.
 - (ii) **Non-VHA Employees** – WCP claimants that were not employed by VHA at time work-related injury occurred.
 - (iii) **Deceased WCP Claimants** – Deceased WCP claimants whose WCP compensation was not properly terminated or continued entitlement to survivor's benefits was not properly verified.
- Review high-risk WCP cases in Veterans Integrated Service Networks (VISN) 2 (Albany, New York), VISN 8 (Bay Pines, Florida—including only the San Juan, Puerto Rico facility), and VISN 22 (Long Beach, California) to evaluate potential impact on WCP costs.

Scope and Methodology

The audit focused on cases in VISN 2 and 22 as part of our recent OIG WCP fraud targeting effort and general case management assistance provided to these VISNs. Additionally, as a result of a request for assistance from the VISN 8 Network Officer, cases from the VA Medical Center (VAMC) located in San Juan, Puerto Rico were also selected for review. Through automated analysis of data in VA's Workers' Compensation Management Information System (WC-MIS), Compensation and Pension (C&P) System, and Payroll System, we identified potential VHA WCP claimants and associated costs in each of the three high-risk areas. The results of this analysis are summarized below.

Potential Number of Claimants and Costs in Each High-Risk Area

High-Risk Area	Number of Claimants	CBY 1998 WCP Compensation	CBY 1998 WCP Medical	Total CBY 1998 WCP Costs	Annual VA C&P Benefits
Dual Benefits	1,251	\$9,778,223	\$3,095,668	\$12,873,891	\$8,460,888
Non-Employees	303	\$ 713,368	\$ 388,296	\$ 1,228,239	N/A
Death Cases	446	\$6,552,555	\$ 503,954	\$ 7,056,509	N/A

We reviewed 273 cases (170 dual benefits, 40 potential non-employees, and 63 death cases) to evaluate the appropriateness of payments associated with VHA WCP claims in these three high-

risk areas. In addition to reviewing VHA facility WCP claim files for cases in VISN 2, 8 (San Juan), and 22, we also reviewed VA C&P claims folders at VA Regional Offices (RO) located in New York City, New York; Buffalo, New York; San Diego, California; and Los Angeles, California. While on site at these ROs, we discussed VBA policies and procedures for termination of concurrent payments of VA compensation benefits and WCP compensation by employees who are also veterans. We also reviewed Department of Labor (DOL) WCP files at Office of Workers' Compensation Program (OWCP) District Offices located in New York City, New York and San Francisco, California. Additionally, we obtained information on one claimant from the OWCP District Office in Dallas, Texas.

We used data from VA automated systems to perform analysis of WCP claims and identify potential universe of cases. An assessment of the reliability of this data was made in our 1998 national audit of VA WCP costs⁴ and by comparison of selected data elements to documentation in case files. We concluded, based on our tests, that the data we used to accomplish the project objective was sufficiently reliable. Although there were invalid social security numbers in some automated records, the less than one-percent occurrence rate indicates that this is not a significant problem and would not have changed our findings and conclusions.

The audit was performed in accordance with generally accepted government auditing standards for staff qualifications, independence, due professional care, fieldwork standards for planning, supervision and evidence; and reporting standards for performance audits.

⁴ Audit of VA'S Workers' Compensation Program Costs (OIG Report No. 8D2-G01-067 issued July 1, 1998).

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. The FECA program is administered by the Department of Labor's (DOL) Office of Workers' Compensation Program (OWCP).

Audit History

The OIG has conducted a series of audits of VA's WCP between 1985 and 1998. These audits⁵ have shown continued problems in VA's management of its WCP costs. While the most recent audit⁶ found that improvements had been made in management and oversight of WCP claims, the lack of effective WCP case management we found at some VA facilities placed the Department at risk for program abuse, fraud and unnecessary costs.

Based on results of the 1998 national audit and other OIG investigative work, the Inspector General initiated a project to identify potential fraudulent WCP claims using the "red flags" that had been identified. The OIG began coordinating efforts with program officials in VHA with review work initiated in VISN 22 and later expanded this effort to VISN 2. As a result of these coordinated efforts, a protocol package for VISN level oversight and a handbook for facility level oversight were issued in April 1999⁷. The protocol package was customized for each individual VISN's review effort and listed specific cases for VISN review. The handbook was developed for facilities and contained instructions and worksheets to organize and facilitate completion of the case review effort. Both reports contained key elements of case management and fraud detection, including best practices identified during our program review. Our review efforts also identified three high-risk areas discussed in this report where VHA continues to be vulnerable to program abuse, fraud, and unnecessary costs.

High-Risk Areas

Our recent OIG WCP assist work with VISNs 2, 8, and 22 found that VHA is at risk of paying unnecessary costs associated with certain types of WCP claims. These high-risk claims include concurrent VA and WCP compensation payments (dual benefits) for the same injury, payment of

⁵ 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).

⁶ Audit of VA's Workers' Compensation Program Costs (OIG Report No. 8D2-G01-067 issued July 1, 1998).

⁷ See OIG Reports Protocol Package For Veterans Integrated Service Network Workers' Compensation Program Case Management and Fraud Detection (OIG Report No. 9D2-G01-002 issued April 14, 1999) and Handbook For VA Facility Workers' Compensation Program Case Management and Fraud Detection (OIG Report No. 9D2-G01-064 issued April 14, 1999).

WCP benefits to claimants not employed by VHA at time of injury, and continued payments of compensation to deceased WCP claimants and survivors.

Dual Benefits

FECA prohibits payment of disability compensation and certain other Federal benefits at the same time. With regard to VA compensation benefits for injuries sustained while in military service, beneficiaries who receive WCP compensation may be required to elect between the benefits paid by VA and those paid by OWCP. For example, an election is required when VA increases a service-connected disability award due to an injury (aggravation of military service injury) sustained in Federal civilian employment. Additionally, an election is required when a death resulted from an injury sustained in civilian Federal employment and VA has held that it was caused by military service.

Department of Veterans' Affairs Policy, M-21, Subchapter IV, Federal Employees' Compensation Act restricts concurrent payments of VA disability compensation and FECA compensation payments when based on service connection or death due to military service prior to January 1, 1957 or civilian employment on or after September 13, 1960. In addition, concurrent payments of VA pension and FECA are prohibited based on service before January 1, 1957. This policy also contains guidelines, including examples, of procedures VBA staff are to follow in adjudication of concurrent payment cases.

Non-VHA Employees

Costs associated with a claim filed under FECA are paid for by the employing agency. Within VA, these costs are paid for by the facility where the injured employee worked. It is important that each facility review the quarterly charge back cost reports received from OWCP to ensure only claimants that actually worked for their facility are listed. Generally, the facility should notify OWCP of errors on the report within 30 days.

VHA has performed administrative and fiscal functions for other Department elements, such as the Veterans Canteen Service (VCS) and the National Cemetery Administration (NCA) that resulted in inappropriate payment of WCP costs for these activities. Additionally, we found that WCP claimants that worked for other Federal agencies at the time of work-related injury have been inappropriately included on VHA's WCP rolls. As a result, VHA is currently incurring unnecessary WCP costs for non-VHA employees.

Deceased Employees

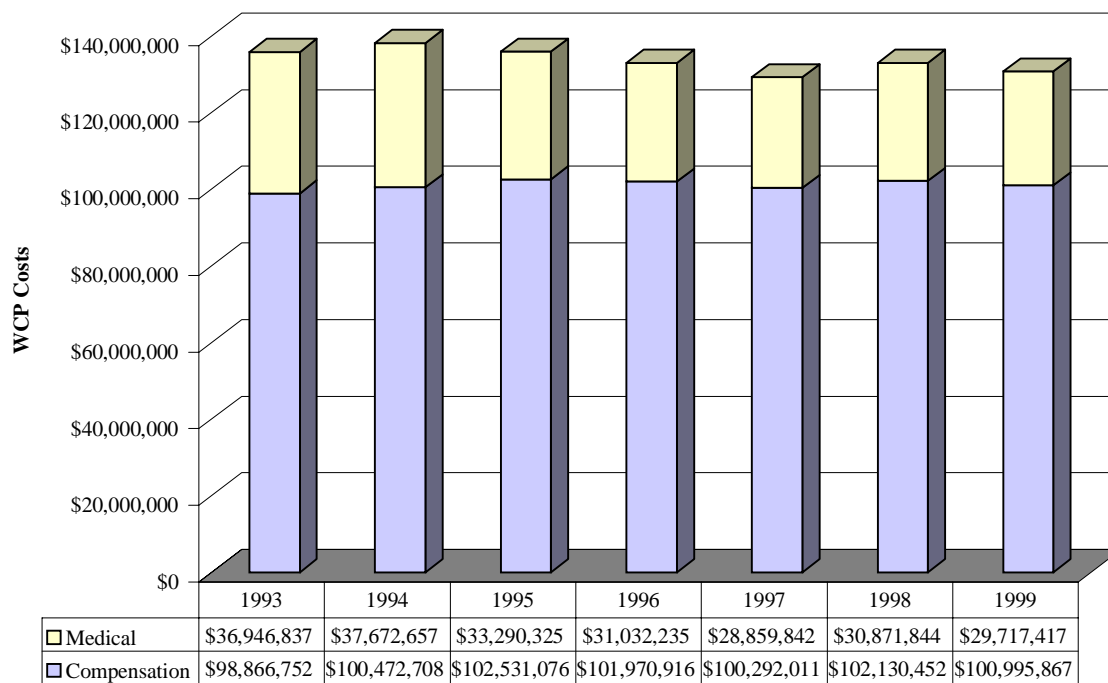
When a claimant receiving WCP compensation dies, timely action is needed to discontinue benefit payments and avoid future overpayments. If it is determined that the work related injury resulted in death, then the claimants survivors may be entitled to continued WCP compensation and other benefits known as survivor benefits. The amount of death benefits will vary depending on the survivor's relationship to the WCP claimant. Additionally, based on this relationship, other restrictions will apply. For example, a surviving spouse with no dependents is entitled to 50 percent of the claimant's salary; however, if the spouse remarries before age 55 the

compensation will be terminated. To ensure continued entitlement, OWCP requires annual completion of a questionnaire by survivors and dependents. If the beneficiary does not submit the form within 30 days of the date of request, OWCP should suspend compensation until the requested form is received.

WCP Program Size and Costs

Government-wide, VA has about the fourth largest annual WCP cost. 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 1998 OIG 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. The audit found that while improvements were made in case management and WCP costs had been reduced, the Department's success in reducing WCP costs had resulted primarily from more active management of new WCP cases and 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.

VHA's WCP cases account for about 94.5 percent of VA's total WCP cases and costs. VHA's WCP costs reached a high of about \$138 million in Charge Back Year (CBY) 1994 and decreased to about \$129 million in CBY 1997, which 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 cost increase shows the need for continued oversight and effective case management to assure that opportunities to reduce program costs is realized. VHA's annual WCP costs for 1993-1999 is shown in the chart on the next page.

VHA WCP Costs (1993 - 1998)**CBY**

SUMMARY OF CASE REVIEW RESULTS

Audit Universe

To evaluate VHA's vulnerability to abuse, fraud, and unnecessary costs associated with WCP claims in three high-risk areas, we first identified, through automated analysis of CBY 1998 WCP claims, the total number of potential VHA WCP claimants in each of the following three areas:

- **1,251 Potential Dual Benefits** – Concurrent payments of VA compensation and WCP compensation for the same injury.
- **303 Potential Non-VHA Employees** – WCP claimants that were not employed by VHA at time work related injury occurred.
- **446 Potential Deceased WCP Claimants** – Deceased WCP claimants whose WCP compensation was not properly terminated or continued entitlement to survivor's benefits was not properly verified.

Case Review Design

The purpose of our case review was to assess the vulnerability to abuse, fraud, and unnecessary costs associated with WCP claims in three high-risk areas. The audit focused on WCP cases in VISNs 2, 8 (San Juan), and 22 associated with completion of our recent WCP assist work in these VISNs. The focus of our case reviews in each high-risk area were as follows:

- **Potential Dual Benefits** – Determine if injury for VA C&P compensation was similar to injury for WCP compensation, and whether VA C&P compensation increased.
- **Potential Non-VHA Employee** – Identify the WCP claimant's employer at time of work-related injury.
- **Potential Deceased WCP Claimant** – Determine if WCP claimant was deceased, whether WCP compensation was timely terminated, and if continued entitlement to survivor benefits is appropriate.

Estimated Impact on VHA's WCP Cost

The schedule below summarizes the estimated unnecessary VHA WCP costs that could have been or could be avoided through enhanced oversight and case management of WCP cases in the three high-risk areas discussed in this report.

SUMMARY OF ESTIMATED VHA WCP COSTS THAT CAN BE REDUCED BASED ON THE AUDIT RESULTS

High-Risk Area	Reviewed	Exceptions	WCP Cost ¹	Lifetime Cost ²
VISNs 2, 8, and 22				
Dual Benefits ³	170	8	\$548,685	\$ 515,484
Non-VHA Employee	40	6	\$ 24,148	\$ 145,200
Death Cases	63	2	\$ 22,068	N/A
Nation-Wide				
VCS Employees		57	\$213,227	\$1,946,699
Potential Dual Benefits ⁴		59	\$4,036,498	\$3,801,695
Total 3 High-Risk Areas	273	116	\$4,844,626	\$6,409,078
Total Impact On WCP (4,844,626 + 6,409,078)			\$11,253,704	

Schedule Footnotes:

¹ Includes prior year compensation costs for dual benefits, medical cost for non-VHA employees, and CBY 1998 compensation cost only for death cases.

² Lifetime costs calculated by multiplying CBY 1998 WCP compensation cost by the number of years before claimant reaches age 70, and does not include medical costs.

³ Claimant must elect between VA C&P and WCP compensation - Only WCP costs used in calculation of cost avoidance. The associated C&P costs for the eight exceptions in this high-risk area are \$640,063 annually and would be \$311,616 until age 70 (lifetime costs).

⁴ Estimated costs that can be reduced for dual benefit cases nation-wide if the same rate of occurrence found in the review of this high-risk area in VISN 2, 8, and 22 is found throughout VHA. Only WCP costs used in projection because claimants must elect between VA C&P and WCP compensation. The projected VA C&P compensation would be \$6,996,156 for the same time period. *(The schedule on the following page provides a detailed calculation of the estimated WCP costs that can be reduced for dual benefit cases VHA-wide.)*

ESTIMATED VHA-WIDE WCP COST IMPACT OF DUAL BENEFIT CASES**Results for VISN 2, 8, and 22**

	No. of Claimants	Rate	Average WCP Compensation	Average Years of Dual Benefits	Average Years to Age 70	Average WCP Comp. to Age 70
Universe	170					
Reviewed	37	21.76%				
Exceptions	8	21.62%	\$79,825	5.9	14.3	\$64,436

Projected Nation-Wide Impact

	No. of Claimants		Projected WCP Compensation			Projected WCP Comp. to Age 70
Universe	1,251					
Review Rate	21.76%					
Potential Dual Benefits	272					
Exception Rate	21.62%					
Estimated No. Dual Benefits	59		\$4,036,498			\$3,801,695
Total Projected Impact on WCP Costs (4,036,498 + 3,801,695)				\$7,838,192		

CASE REVIEW INSTRUCTIONS AND WORKSHEET

This audit report recommends review of cases identified in the three high-risk areas (1,081 potential dual benefits and 383 WCP death cases). To help facilitate this review effort, the OIG developed the following case review instructions and a case review worksheet. An automated file containing detailed case listings for each high-risk area will be provided to VHA's Chief Network Officer for distribution to the responsible VISNs. If any additional information or assistance is needed 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.

Case Review Instructions

The OIG developed a case review worksheet (pages 22-23) that includes a series of questions about high-risk WCP claims that will aid in determining if there is abuse, fraud, or unnecessary costs associated with these claims. This worksheet provides a structured methodology for review of WCP cases in the three high-risk areas. Questions 1 through 4 are for dual benefits case reviews, question 5 is for non-employee case reviews, and questions 6 and 7 are for death case reviews. The worksheet also contains space for recording indicators of potential program fraud such as false statements. The worksheet can also be used to coordinate review work with ROs, OWCP District Offices, and the OIG. Once review work is completed, the worksheet along with applicable supporting documentation should be filed in the facility's WCP case file for future reference. Detail discussion and examples of case reviews for each high-risk area follows:

Dual Benefits

The purpose of this review is to determine if a WCP claimant received concurrent WCP and VA C&P (increased) compensation, including survivor benefits, as a result of work-related injury. Questions 1 through 4 on the WCP Case Review Worksheet (page 22) should be answered based on review of VA and OWCP automated systems such as OWCP's Agency Query System (AQS) or VA's Target system and case file reviews. Generally, if the answer to any of the questions is no, then the case does not involve dual benefits. An example of this review process is as follows:

- The answers to questions 1 and 2 can be obtained through review of OWCP's AQS and VA's Target system. The two automated systems will provide information on current compensation payments and accepted condition (WCP) and C&P disability.
- If the answer to both of these questions is yes, the next step (question 3) would be to review the C&P claims folder to determine if the C&P award was increased as a result of the work-related injury. This step would require coordination with the applicable RO (can be identified by review of VA's Target system) that has jurisdiction over the C&P claim. Additionally, coordination with the RO would be required to calculate the amount and length time of the dual benefits. Coordination with the applicable OWCP District Office and the RO would be required to ensure that an election letter is processed.
- Question number 4 would be used to document other observations such as indicators that the claimant had been working. If review of the OWCP form 1032 found that the claimant did

not properly report earnings to OWCP, then this information becomes an indicator of program fraud and additional review work should be coordinated with the OIG Office of Investigations (guidance for this process is contained in the recently issued OIG protocol package and handbook⁸).

Through automated analysis of VA's WCP and C&P files, our audit identified WCP claimants who are receiving concurrent VA and WCP compensation payments. Veteran identifying information can also be obtained from OWCP form CA-7 (Claim for Compensation on Account of Traumatic Injury or Occupational Disease) that is used to request compensation after 45 days of Continuation of Pay has stopped and continued disability prevents return to work. Question number 12 on this form requests information, such as claim number, address of VA office (RO) where claim was filed, and nature of disability.

Non-VHA Employees

The purpose of this review is to ensure that the WCP claimant was employed by the VHA facility at the time the work-related injury occurred. This requires a review of the original report of the injury (OWCP form CA-1 or CA-2) that should be filed in the facilities WCP case files. Question 5 on the WCP Case Review Worksheet (page 23) was developed to assist in completing this review. If the answer to this question is yes that the claimant was employed by the reviewing facility, then no additional review is needed on the case for this high-risk area. If there is no facility WCP case file or the appropriate documentation is missing, coordination with the responsible OWCP District Office will be required to obtain the needed information. If the claimant was not employed by VHA when the work-related injury occurred, coordinate with OWCP to have the claimant removed from the VHA facility WCP rolls.

Deceased Claimants

The purpose of this review is to (i) identify claimants that are potentially deceased, (ii) verify that benefits were timely terminated upon the death of the WCP claimant, and (iii) verify continue entitlement to survivor benefits. Questions 6 and 7 on the WCP Case Review Worksheet (page 23) were developed to assist in completing this review. We identified 446 potentially deceased WCP claimants through review of a file containing information on deceased individuals from the Social Security Administration, VA Patent Treat File, and VA Beneficiary Identification and Record Locator System (BIRLS). Other evidence of death of a WCP claimant would include local obituary columns, notice/request for life insurance payments, etc.

Once evidence of the death of a WCP claimant is found, the next step would be to verify that the benefits were timely terminated and determine if death was related to accepted WCP condition (work-related injury). An indication of program fraud would be clear evidence of death of WCP claimant and no indication that OWCP has been notified of the death. Coordination with OWCP

⁸ OIG Reports Protocol Package For Veterans Integrated Service Network Workers' Compensation Program Case Management and Fraud Detection (OIG Report No. 9D2-G01-002 issued April 14, 1999) and Handbook For VA Facility Workers' Compensation Program Case Management and Fraud Detection (OIG Report No. 9D2-G01-064 issued April 14, 1999). Both of these reports are available on the OIG internet web page at <http://www.va.gov/oig/52/wcp/wcp.htm>.

staff will be required in WCP cases where compensation benefits were not timely terminated to ensure an overpayment, in any, is established and collected. In cases where it was determined that the death was related to an accepted WCP condition, verify that survivors continue to be entitled to benefits being paid (e.g., surviving spouse under age 55 has not remarried, dependent children still have not reached age 18 or 23 if in school full time, etc.).

WCP CASE REVIEW WORKSHEET

Review of High-Risk Area Page 1 of 2

General Data - Workers' Compensation Program: (source of data WC-MIS, DOL's AQS, etc.)

VISN: _____ Facility (Name/No.): _____

OWCP Case No.: _____ Date of Injury: _____ Status: _____

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

CBY WCP Compensation Amount: _____ Medical Amount: _____

Type of Injury (Description, Accepted Condition, etc.): _____

VA C&P Data: (source of data VA Target system, contact with VARO, etc.)

C&P Claim No.: _____ Award Amount: _____ Rating Percent: _____

Major Disabilities and Percent (Target M13 screen): _____

Dual Benefit Review: (source of data will be review of WCP case files, VA C&P claims folders, etc.)

1. Is the WCP claimant in receipt of both WCP and VA compensation? **Yes / No**

If no, no further review is needed provided the WCP claimant did not receive both benefits in the past. **If yes**, additional review will be needed to determine if injuries were the same, was VA C&P award increased, etc.

2. Is the work related injury (WCP claim) similar to VA C&P disabilities? **Yes / No**

If no, no further review is needed. **If yes**, the VA C&P claims file will need to be reviewed to determine if the WCP claimant received an increase in VA C&P benefits as a result of work related injury.

3. Were increases, if any, the result of a work related injury? **Yes / No**

If no, no further review is needed. **If yes**, determine if increases were properly reported to OWCP and/or election letter processed.

4. **Other Observations:** (additional information/questions about the case (e.g., indicators that the claimant was working found in C&P claims folder, request for increase in C&P award in appeal process, etc.)

WCP CASE REVIEW WORKSHEET

Review of High-Risk Area Page 2 of 2

Page 2 OWCP Case No.: _____ DOI: _____ Last Name: _____

Non-VHA Employee Review: (source of data is OWCP CA-1 or CA-2 form, etc.)5. Did reviewing facility at time of work-related injury employ the WCP claimant? **Yes / No**

If yes, no further review is needed. **If no**, determine what agency employed the WCP claimant at time of the injury (e.g., VCS, NCA, another Federal Agency, etc.). Additionally, appropriate action to remove the claimant from reviewing facilities WCP roll should be initiated.

Death Case Review: (source of data WC-MIS, VBA Target System, this audit report, etc.)6. Is there evidence the WCP claimant is deceased? **Yes / No**

If no, no further review is needed. **If yes**, determine if benefits were timely terminated, death was related to “accepted WCP condition,” and survivor continues to be eligible for benefits.

7. Are survivor benefits being paid to any of WCP claimant’s beneficiaries? **Yes / No**

If no, no further review needed. **If yes**, determine continued entitlement through review of annual verification forms and WCP case files (e.g., has surviving spouse remarried before age 55, are dependent children still entitled to benefits, etc.)

Indicators of Program Fraud: (list all indicators of program fraud (e.g., false statements to VA or OWCP, etc.)

Conclusions/Recommendations:

Reviewed By: _____ Date: _____ Phone No: _____

SUMMARY OF CASES AND COSTS IN EACH HIGH-RISK AREA

The tables that follow present a summary of the number of WCP claimants and associated costs we identified, by VISN, in each of the three high-risk areas.

TABLE V.1

POTENTIAL NUMBER OF VHA WCP CLAIMANTS IN RECEIPT OF DUAL BENEFITS

VISN	Number of Claimants	CBY 1998 WCP Compensation	CBY 1998 WCP Medical	Total CBY 1998 WCP Costs	Annual VA C&P Benefits
1	58	\$540,371	\$52,439	\$592,810	\$401,208
2	56	\$491,029	\$44,053	\$535,082	\$442,728
3	49	\$668,842	\$108,707	\$777,549	\$403,032
4	84	\$608,204	\$200,293	\$808,497	\$576,300
5	35	\$306,832	\$69,467	\$376,299	\$273,924
6	85	\$645,366	\$345,343	\$990,709	\$525,384
7	77	\$589,448	\$134,382	\$723,830	\$530,472
8	66	\$561,016	\$115,400	\$676,416	\$444,204
9	56	\$361,241	\$72,374	\$433,615	\$420,780
10	34	\$256,668	\$189,285	\$445,953	\$192,696
11	35	\$208,494	\$83,210	\$291,704	\$131,988
12	48	\$345,713	\$72,792	\$418,505	\$321,060
13	39	\$249,442	\$84,004	\$333,446	\$280,812
14	19	\$84,576	\$35,993	\$120,569	\$119,400
15	37	\$226,817	\$205,300	\$432,117	\$210,036
16	92	\$854,255	\$225,286	\$1,079,541	\$651,372
17	68	\$463,798	\$240,138	\$703,936	\$498,000
18	46	\$210,403	\$158,295	\$368,698	\$354,156
19	50	\$348,108	\$185,297	\$533,405	\$304,440
20	71	\$495,640	\$121,042	\$616,682	\$463,416
21	50	\$474,253	\$99,204	\$573,457	\$412,260
22	96	\$787,707	\$253,364	\$1,041,071	\$503,220
Totals	1,251	\$9,778,223	\$3,095,668	\$12,873,891	\$8,460,888

TABLE V.2
POTENTIAL NUMBER OF WCP CLAIMANTS NOT EMPLOYED BY VHA
AT TIME OF INJURY

VISN	VCS Employees		Other Claimants		Totals All Cases	
	No. Cases	WCP Costs	No. Cases	WCP Costs	No. Cases	WCP Costs
1		\$0	7	\$21,534	7	\$21,534
2	2	\$334	17	\$101,616	19	\$101,950
3	6	\$30,513	21	\$101,314	27	\$131,827
4	7	\$17,806	17	\$97,902	24	\$115,707
5	2	\$767	9	\$9,832	11	\$10,599
6	6	\$31,922	19	\$29,316	25	\$61,238
7	3	\$1,740	5	\$13,438	8	\$15,178
8	3	\$37,704	9	\$33,326	12	\$71,030
9	5	\$2,394	7	\$25,932	12	\$28,326
10		\$0	6	\$11,329	6	\$11,329
11	4	\$4,539	8	\$9,102	12	\$13,641
12	2	\$2,538	8	\$15,528	10	\$18,065
13	2	\$17,553	7	\$30,439	9	\$47,992
14	1	\$2,837	5	\$2,646	6	\$5,483
15	1	\$820	7	\$64,861	8	\$65,681
16	2	\$2,686	19	\$65,383	21	\$68,069
17	4	\$35,256	7	\$35,739	11	\$70,995
18	1	\$6,995	11	\$56,966	12	\$63,961
19	1	\$230	13	\$70,362	14	\$70,592
20	3	\$12,303	14	\$33,837	17	\$46,140
21	4	\$4,624	9	\$17,385	13	\$22,009
22	2	\$1,737	17	\$165,155	19	\$166,892
Totals	61	\$215,298	242	\$1,012,941	303	\$1,228,239

TABLE V.3
**POTENTIAL NUMBER OF DECEASED WCP CLAIMANTS AND
SURVIVORS RECEIVING WCP BENEFITS**

VISN	Number of Claimants	CBY 1998 WCP Compensation	CBY 1998 WCP Medical	Total CBY 1998 WCP Costs
1	17	\$190,856	\$2,393	\$193,249
2	28	\$335,787	\$6,288	\$342,075
3	45	\$1,102,788	\$12,486	\$1,115,274
4	26	\$379,173	\$11,580	\$390,753
5	19	\$352,146	\$147	\$352,293
6	19	\$246,655	\$3,159	\$249,814
7	19	\$210,426	\$45,393	\$255,819
8	15	\$273,449	\$4,000	\$277,449
9	15	\$109,437	\$7,372	\$116,809
10	19	\$188,315	\$21,257	\$209,572
11	13	\$161,058	\$2,682	\$163,740
12	29	\$369,427	\$269,279	\$638,706
13	6	\$68,402	\$1,029	\$69,431
14	3	\$11,480	\$341	\$11,821
15	13	\$166,350	\$2,796	\$169,146
16	39	\$788,239	\$37,338	\$825,577
17	22	\$189,640	\$34,377	\$224,017
18	18	\$241,314	\$10,458	\$251,772
19	10	\$101,145	\$2,265	\$103,410
20	20	\$205,424	\$3,232	\$208,656
21	19	\$291,777	\$18,662	\$310,439
22	32	\$569,267	\$7,420	\$576,687
Totals	446	\$6,552,555	\$503,954	\$7,056,509

MONETARY BENEFITS
IN ACCORDANCE WITH IG ACT AMENDMENTS

REPORT TITLE: Audit of High-Risk Areas in the Veterans Health Administration's (VHA) Workers' Compensation Program (WCP)

PROJECT NUMBER: 1999-00046-D2-0001

<u>Recommendation Number</u>	<u>Category/Explanation of Benefits</u>	<u>Cost Avoidance</u>	<u>Questioned Costs</u>
1(a) and (b)	Estimated WCP compensation costs that could have been or could be potentially avoided for projected lifetime benefits through enhanced case management.	\$ 11.2 million	
Total		<u><u>\$ 11.2 million</u></u>	

Note: The \$11.2 million in WCP compensation costs represents past and future costs that could have been or could be potentially avoided for projected lifetime benefits for claimants. We believe that this is a conservative estimate of the potential past and future dollar impact to VA since our cost avoidance estimates are based on actual compensation payments for only active cases. In addition, our calculation of estimated lifetime benefits that would be avoided is based on the number of years until the claimants reach age 70. Finally, our projected dollar impact figure has not been adjusted for future potential inflation costs. (*Details on the calculation of potential reduced VHA WCP compensation costs are in Appendix III on pages 15-17.*)

ACTING UNDER SECRETARY FOR HEALTH COMMENTS

**Department of
Veterans Affairs**

Memorandum

December 15, 1999

Acting Under Secretary for Health (10/105E)

OIG Draft Report, *Audit of High-Risk Areas in the VHA Workers' Compensation Program (WCP)* (EDMS Folder 67204)

Assistant Inspector General for Auditing (52)

1. The appropriate Veterans Health Administration program offices have reviewed the draft report and we concur with the recommendations. We also concur with your estimate of cost avoidance of \$11.2 million associated with recommendations 1(a) and 1(b).
2. Since VHA is responsible for over 94 percent of VA's WCP costs, we appreciate your continued assistance in improving the effectiveness of the WCP. Implementing your proposed recommendations should help ensure appropriate payments are made. Improving management of the program through better identification of payment of dual benefits, payment to non-VHA employees and payments continued inappropriately following a claimant's death should assist in keeping future WCP costs down, as well as reducing instances of fraud in these highly vulnerable areas.
3. An action plan for implementing the recommendations is attached. Thank you for the opportunity to review the draft report. If you have any questions, please contact Paul C. Gibert, Jr., Director, Management Review and Administration Service (105E), Office of Policy and Planning, at 202.273.8355.

/s/

Thomas L. Garthwaite, M.D.

Attachment

ACTING UNDER SECRETARY FOR HEALTH COMMENTS

Action Plan in Response to OIG/GAO/MI Audits/Program Evaluations/Reviews		
Name of Report: <i>Audit of High-Risk Areas in the VHA Workers' Compensation Program</i>		
Project No.: N/A		
Date of Report: None		
Recommendations/ Actions	Status	Completion Date
We recommend that the Acting Under Secretary for Health take the following actions to enhance VHA's WCP management and avoid unnecessary costs by:		
a. Completing a one-time review of the potential dual benefits and death cases identified by the audit for all VISNs, so that any inappropriate claimant benefit payments can be stopped and potential fraud cases can be identified and referred for OIG action.		
Concur	In process	9/30/00
b. Removing VCS and NCA employees from VHA's WCP rolls.		
Concur	In process	9/30/00
c. Notifying VBA when a veteran employee is injured on the job to ensure that WCP claimants that also receive VA C&P benefits do not inappropriately receive dual benefits for the same injury.		
Concur	In process	9/30/00

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This report 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 report will remain on the OIG web site for two fiscal years after it is issued.