

Workers' Compensation Program Update



AUDIT REPORT

Report Number 22-121-R23 | May 11, 2023



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Highlights

Background

Postal Service employees who sustain a work-related injury or occupational disease are covered by the Federal Employees' Compensation Act (FECA). These benefits include wage-loss compensation, medical and rehabilitation services, and death benefit payments to surviving dependents. The Department of Labor's (DOL) Office of Workers' Compensation Program has the exclusive authority to administer, implement, and enforce FECA, including paying claims on behalf of injured employees. The Postal Service manages efforts to return injured employees to work through its Injury Compensation Program. During chargeback year (CBY) 2022 (July 1, 2021, through June 30, 2022) the Postal Service reimbursed \$1.31 billion to DOL for its compensation claim costs, including administrative fees.

What We Did

Our objective was to evaluate management's initiatives to reduce workers' compensation costs and examine good practices for controlling workers' compensation activity. We reviewed workers' compensation data from fiscal year (FY) 2017 through FY 2022 and visited five districts based on management's implemented cost containment initiatives.

What We Found

Despite postal management's actions to reduce their workers' compensation costs, they are limited by law in pursuing certain cost containment options used in private industry. Between CBY 2017 and CBY 2022, their workers' compensation cost per workhour was between 31 percent and 41 percent higher than private industry. Management implemented initiatives to reduce and contain workers' compensation costs, use the Employee Compensation Operations & Management Portal, and reduce the number of employees on the periodic rolls. However, opportunities exist for management to further improve their Injury Compensation Program by increasing their use of available technology. Specifically, management could streamline and automate time-consuming processes. If the Postal Service was allowed to adopt practices used by private industry to control workers' compensation costs, we estimated it could have potentially saved more than \$692.9 million during CBY 2021 and CBY 2022.

Recommendations

We recommended management (1) use the information in this report to develop a briefing summary for the Postmaster General and the Deputy Postmaster General to consider pursuing legislative changes needed to further reduce workers' compensation costs; (2) evaluate opportunities and identify barriers to streamline and automate the routinely performed manual processes of calculating comparable pay and researching rural carrier workhours; and (3) reiterate guidance to all Occupational Health Claims field offices for tracking newly submitted claims.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 11, 2023

MEMORANDUM FOR: SIMON STOREY
VICE PRESIDENT, HUMAN RESOURCES

A handwritten signature in black ink, which appears to read "Alan MacMullin", is positioned below the recipient information.

FROM: Alan MacMullin
Deputy Assistant Inspector General
for Finance, Pricing, and Human Capital

SUBJECT: Audit Report – Workers' Compensation Program Update
(Report Number 22-121-R23)

This report presents the results of the Workers' Compensation Program Update audit.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lazerick Poland, Director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Workers' Compensation Program Update (Project Number 22-121). Our objective was to evaluate management's initiatives to reduce workers compensation costs and examine good practices for controlling the Postal Service's workers' compensation activity.

See [Appendix A](#) for additional information about this audit.

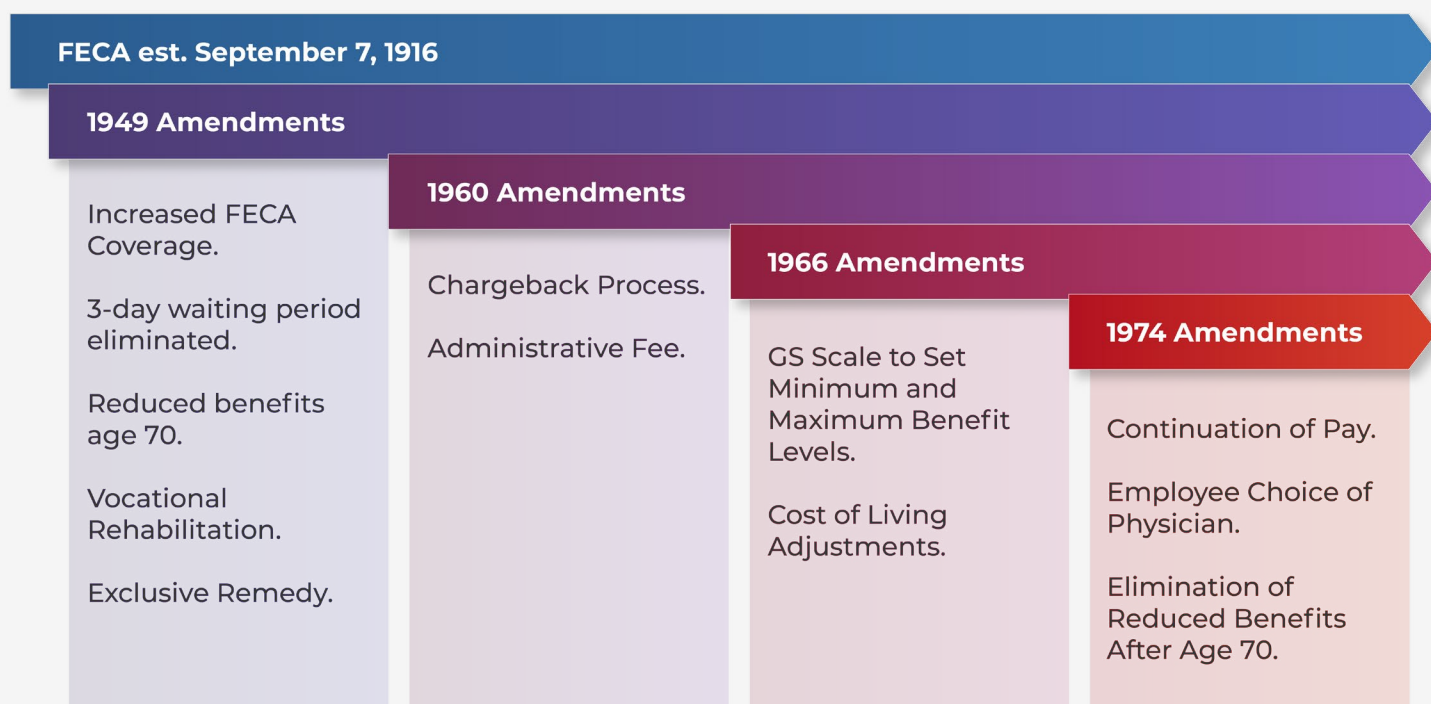
Background

Postal Service employees are covered by the Federal Employees' Compensation Act (FECA). The FECA program provides benefits to civilian federal and Postal Service employees who have sustained a work-related injury or disease as a result of their employment. FECA provides monetary and medical benefits and assistance in returning employees to work. These benefits include wage-loss compensation, medical and rehabilitation services, and death benefit payments to surviving dependents.

Employees on the periodic roll have a disability that is expected to continue for more than 90 days. These employees receive tax-free either 66.66 percent or 75 percent of their Postal Service salary, based on their dependent status, on a recurring basis.

The FECA program was created in 1916 to bring the protections offered to federal employees in line with those being offered by states. It was also created to provide workers' compensation coverage to all federal employees regardless of occupation. The Department of Labor's (DOL) Office of Workers' Compensation Program (OWCP) has the exclusive authority to administer, implement, and enforce FECA, including paying claims on behalf of injured employees. Congress reformed FECA with four major amendments through legislation between 1949 and 1974. The last amendment eventually led to the establishment of the Postal Service's Injury Compensation Program in 1978 to manage the costs of workers' compensation benefits. Although these amendments made significant changes to FECA, the basic framework remained the same, see Figure 1.

Figure 1. Amendments to Federal Employees Compensation Act of 1916



Source: Congressional Research Service's FECA: Workers' Compensation for Federal Employees, updated March 10, 2021.

During FY 2022, DOL’s OWCP processed over 182,000 new workers’ compensation cases and provided \$2.92 billion in benefits to over 179,000 federal employees and survivors for work-related injuries or illnesses. Of these benefit payments, over \$2.05 billion was for wage loss compensation; \$716 million was for medical and rehabilitation services; and \$156 million was for death benefits payments to surviving dependents. Postal Service employees accounted for more than 41 percent of all new workers’ compensation cases and 42 percent of all benefit payments across the federal government.

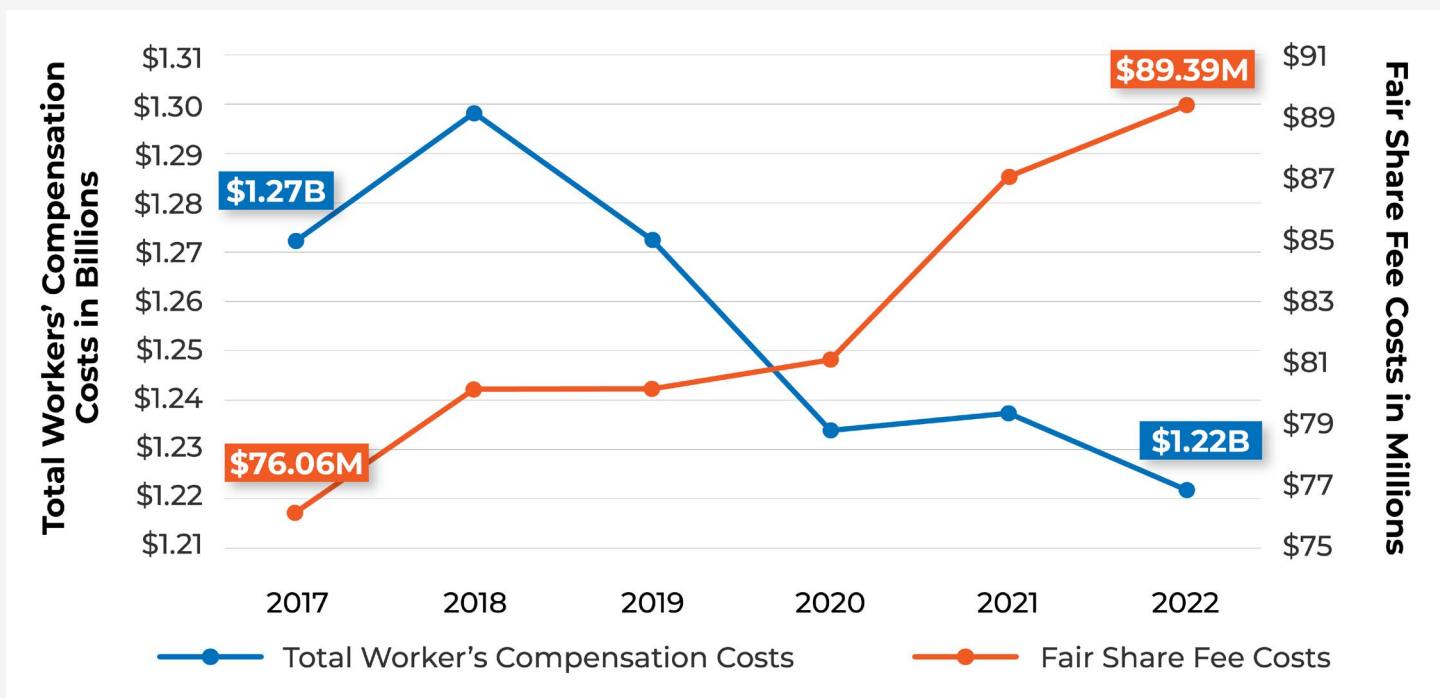
The Postal Service reimburses the DOL OWCP for its workers’ compensation claim costs through a process known as chargeback billings. These costs include administrative fees, which the Postal Service and certain other non-appropriated entities of the federal government are required to pay as their “fair share” of DOL OWCP’s costs of administering benefits for their employees. For chargeback year¹ (CBY) 2022, DOL billed the Postal Service a fair share fee totaling \$89.39 million, which represented 48 percent of the total administrative fees billed to all federal government entities.

Workers’ Compensation Costs

The Postal Service incurred about \$1.27 billion in workers’ compensation costs during CBY 2017 and incurred its highest costs in the 5 years reviewed during CBY 2018 at almost \$1.30 billion. There was a slight increase in costs totaling \$2.41 million between CBY 2020 and CBY 2021 due to a rise in claims related to the Coronavirus Disease 2019² (COVID-19). The Postal Service’s costs declined in subsequent years, reaching a low of about \$1.22 billion in CBY 2022, which was a \$52.72 million (or 4 percent) decrease from CBY 2017, see Figure 2.

While workers’ compensation costs generally trended downward, the portion of these costs representing the fair share fee charged by the DOL consistently increased annually, see Figure 2. For instance, during CBY 2022, the Postal Service managed to contain its workers’ compensation costs to about \$1.22 billion. However, during this same year, the DOL charged a fair share fee of about \$89.39 million, which was the highest amount since CBY 2017. Overall, the fair share fee increased by \$13.33 million (or 18 percent) between CBY 2017 and CBY 2022. Despite the Postal Service’s efforts in reducing its

Figure 2. Total Workers’ Compensation Costs and Fair Share Fee Costs Between CBY 2017 and CBY 2022



Source: DOL-OWCP Chargeback Bills.

¹ The FECA program’s CBY begins on July 1 of the preceding year and ends on June 30. For example, CBY 2022 began on July 1, 2021, and ended on June 30, 2022.
² In March 2020, the president of the United States declared the COVID-19 pandemic a national emergency.

workers' compensation costs, the fair share fee is an uncontrollable cost that is calculated³ and administered in accordance with FECA policies.

Workers' Compensation Claims and Accidents

The Postal Service's total workers' compensation claims submitted, and total accidents reported, trended downward between FY 2017 and FY 2021. Then in FY 2022, total claims activity significantly increased by 63 percent compared to the prior year due to an influx of COVID-19 related claims. In perspective, since FY 2017, the number of claims that were not related to COVID-19 decreased and reached a low point of 40,448 claims during FY 2022, see Figure 3. Total accidents during this timeframe also showed a similar downward pattern.

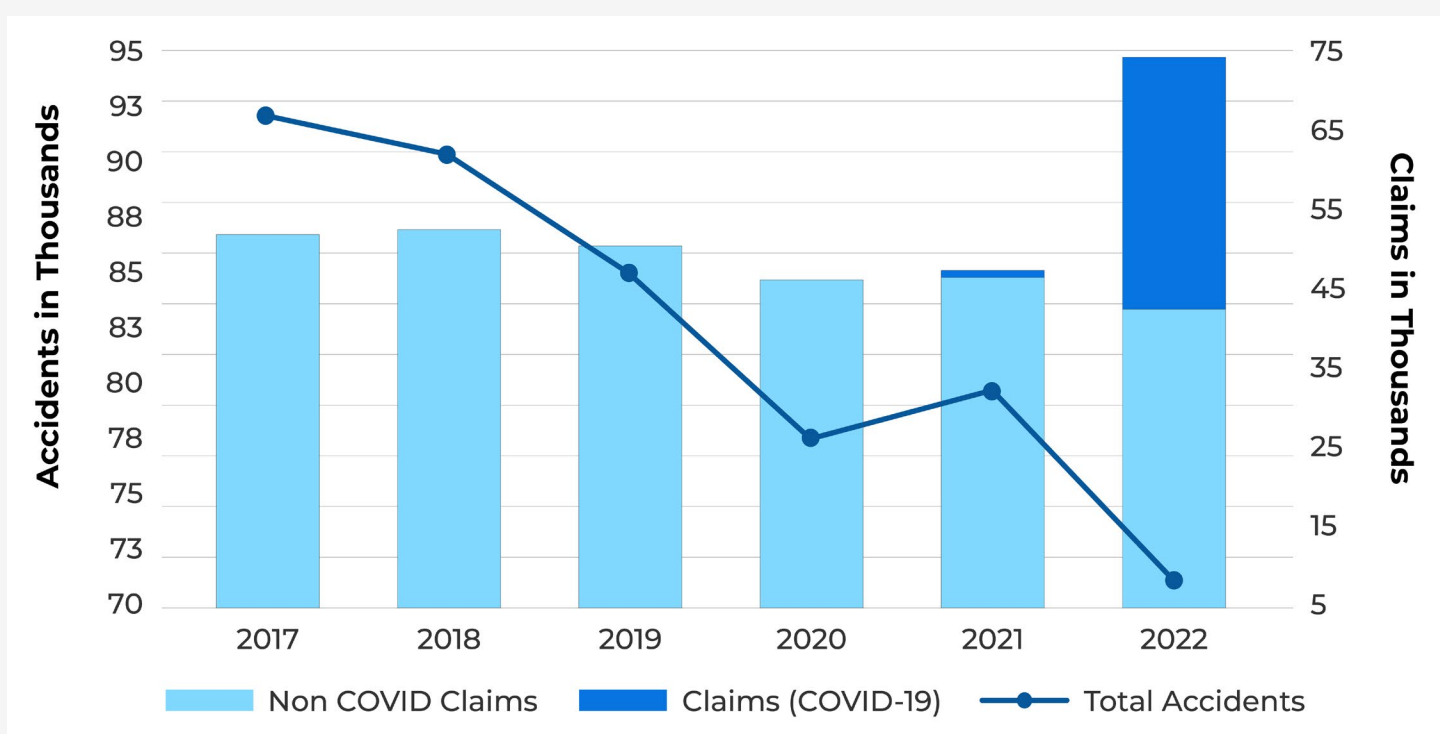
Workers' compensation claims involving claimants that make a false representation is a violation of federal criminal law. The Postal Service's workers' compensation cost is affected by fraudulent activity, and the Office of Inspector General (OIG) continues to investigate false representations. See [Appendix B](#) for information on the OIG's investigative activities related to workers' compensation fraud.

Workers' Compensation Program Initiatives

Following a prior OIG audit on *Workers' Compensation Program Cost Containment Activities* (Report No. 19-031-R20) issued on August 6, 2020, Postal Service management implemented several initiatives to reduce and contain total workers' compensation costs, which included:

1. Conducting an Employee Labor Manual (ELM) 546 Reassignment or Reemployment of Employees Injured on Duty review (ELM 546 Review), which focused on returning employees to work in accordance with established policies.
2. Implementing the DOL's Employees' Compensation Operations & Management Portal (ECOMP), which involved submitting claims electronically versus manually.
3. Conducting periodic rolls reviews, which focused on employees with long-term disabilities, obtaining their updated medical status, and identifying available work based on their status.
4. Making improvements to case management and digitization, which involved implementing technology initiatives to more effectively manage cases and reduce redundant paper files.

Figure 3. OWCP Claims and Total Accidents Between FY 2017 and FY 2022



Source: Employees' Compensation Operations & Management Portal and Enterprise Data Warehouse.

³ The fair share amount for the CBY is derived from DOL OWCP's determination of the percentage of the annual total benefit costs paid, multiplied by total administrative costs, divided by fair share agency benefit costs paid, multiplied by each fair share agency's costs.

Findings Summary

While the Postal Service took action to reduce its workers' compensation costs, they are limited by law in pursuing certain cost containment options used in private industry. Despite rising inflation impacting many segments of the economy, including workers' compensation, management's actions helped reduce their workers' compensation costs from \$1.27 billion in CBY 2017 to \$1.22 billion in CBY 2022. However, the Postal Service's workers' compensation costs remained significantly higher than private industry. Without legislative changes to FECA, the Postal Service is limited in its ability to adopt cost-saving initiatives used in private industry to further reduce its workers' compensation costs. However, increasing the use of available technology could provide additional opportunities to further improve efficiency in their Injury Compensation Program.

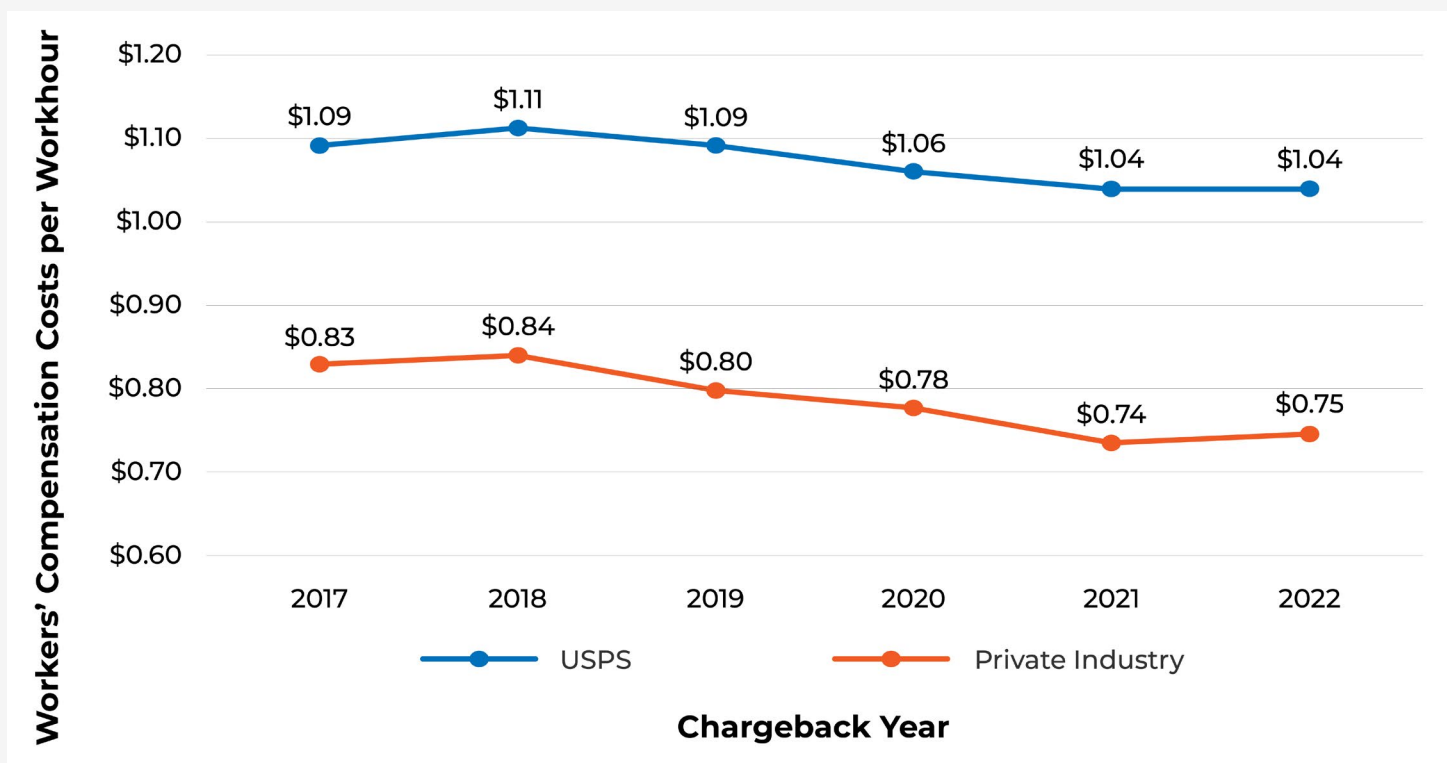
Finding #1: Private Industry Practices

The Postal Service's workers' compensation cost per workhour was consistently greater when compared to the private industry between CBY 2017 and CBY 2022. Specifically, during this timeframe, the Postal Service's workers' compensation cost per

workhour was between 31 percent and 41 percent higher than the private industry. We benchmarked the Postal Service's workers' compensation cost per workhour against the most comparable private industry group reported by the Bureau of Labor Statistics: production, transportation, and material moving occupations. As shown in Figure 4, the Postal Service's workers' compensation cost per workhour in CBY 2022 was \$1.04, which was the lowest during the six-year scope. However, compared to the private industry's rate of 75 cents, the Postal Service's cost per workhour was still 39 percent greater. Since private industry companies are not covered under FECA, these companies are able to adopt certain practices to reduce and contain their workers' compensation costs.

We reviewed information from the Workers' Compensation Research Institute (WCRI) and Congressional Research Service (CRS) to compare private industry mitigation efforts to those made by the Postal Service. The cost-saving initiatives described in Table 1 have been adopted by some state governments that also govern the practices of companies in the private sector.

Figure 4. Postal Service and Private Industry Workers' Compensation Cost per Workhour Between CBY 2017 and CBY 2022



Source: Bureau of Labor Statistics, DOL Chargeback Billings, and Enterprise Data Warehouse.

Table 1: State Government Practices

Practice	Not Covered Under FECA	FECA
Limit on dollar amount and duration of benefits	17 of 50 states have limitations on dollar amount or duration of benefits	No limitations
Allow settlements and buyouts	43 of 50 states allow settlements	Settlements not allowed
Require use of generic drugs	35 of 50 states require substitution of generic drugs	Not required

Source: WCRI and CRS.

Limited Dollar Amount and Duration of Benefits

FECA does not limit how long an employee is eligible to receive compensation and medical benefits. It provides tax-free compensation for wage loss at 66.66 percent of an employee’s salary, if there are no dependents, or a maximum of 75 percent if there are dependents. Additionally, all medical costs associated with the treatment of a covered injury or illness are paid for, in full, by the federal government. In contrast, 17 states place limitations on the total amount or duration of permanent total disability benefits under their workers’ compensation systems. These limitations are in the form of a maximum number of weeks for which benefits may be paid, a termination of benefits at retirement or some other age, some combination of both, or a maximum amount of total benefits that can be received. If the Postal Service were allowed to limit the dollar amount and duration of benefits, employees may be motivated to return to work sooner, which could potentially reduce costs.

Settlements and Buyouts

The Postal Service cannot settle workers’ compensation claims under FECA through lump-sum payments like the private industry’s allowable practices. Claims may be paid over many years and increased through cost-of-living adjustments under federal law, which results in substantial costs for the Postal Service. If the Postal Service were allowed to settle claims, the advantages would include limiting the claim to a fixed dollar amount to reduce costs versus paying out over the life of the claim.

In most states, organizations, except federal agencies, have the option of settling claims for future medical care in the form of a compromise and release agreement. For reference, 43 of the 50 states allow settlements and buyouts. Additionally, according to an annual benchmarking study of workers’

compensation systems in 18 states⁴ performed by the WCRI, at least 15 of these states allowed lump-sum settlements of compensation claims. However, since the Postal Service is restricted by FECA, it is not allowed to settle workers’ compensation claims for many types of injuries through lump sum payments. Legislative changes to FECA’s allowance for settlements could help the Postal Service further reduce workers’ compensation costs.

Employer-Selected Physicians

Most third-party administrators and private companies are permitted by their respective states to require use of in-network physicians; however, FECA allows employees to choose providers without limitation. Based on research from the WCRI, the method of provider selection and the regulations on change of health care providers can affect the cost of medical care, indemnity costs, and outcomes for workers regarding disability duration, physical recovery, and satisfaction with care. Additionally, the use of employer-selected physicians allows the monitoring of performance and the removal of low performing doctors. Furthermore, physicians can develop a better understanding of the workplace and collaborate with the patient and the employer to identify suitable return to work opportunities.

Generic Drugs

Mandatory use of generic drugs can be an effective way to control costs. According to the Food and Drug Administration, generic drugs provide the same clinical benefit but may cost up to 85 percent less than brand-name drugs. The substitution of generic drugs for brand-name drugs is required in 35 of 50 states; however, FECA allows Postal Service employees with approved workers’ compensation claims to choose brand-name or generic drugs. If FECA mandated the use of generic

⁴ The 18 states (mostly large) selected by the WCRI because they are geographically diverse, represent a range of system features, and represent the range of states that are higher, near the middle, and lower on costs per claim. Income benefit payments per claim in the median states are similar to the median among all states.

drugs, the Postal Service could reduce workers' compensation costs.

The Postal Service workers' compensation cost per work hour would likely be lower if it were allowed to adopt the practices identified in this report that are currently not allowed under FECA. These limitations prohibited the Postal Service from implementing practices and acceptable alternatives used by state governments and private industry that have shown positive results for these entities in controlling workers' compensation costs. Headquarters (HQ) occupational safety and health (OSH) management stated the following proposed legislative changes, which are comparable to state workers' compensation guidelines, were submitted to the Postal Service's Executive Leadership Team for consideration in its legislative priorities:

- Standardizing the compensation rate to 66.66 percent for all employees regardless of dependent status.
- Limiting the maximum weekly payment amount to the highest amount allowed under state workers' compensation.
- Converting claims for disability to a lower benefit or requiring employees to opt for U.S. Office of Personnel Management annuity at age 65 or one year after first receipt of FECA benefits, whichever is later. Alternatively, offering a settlement option to injured workers for compensation while continuing medical benefits.
- Allowing the Postal Service to provide a list of medical providers that employees must choose from.
- Allowing apportionment⁵ to be factored in, when applicable, for on-the-job injuries or illnesses.

Without legislative changes to FECA, the Postal Service is limited in its ability to significantly reduce workers' compensation costs. If the Postal Service was allowed to adopt the practices

used by the private industry to control workers' compensation costs, it could have potentially saved more than \$692.9 million during CBY 2021 and CBY 2022.

Recommendation #1

We recommend the **Vice President, Human Resources**, use the information in this report to develop a briefing summary for the Postmaster General and the Deputy Postmaster General/Chief Human Resource Officer to consider the possibility of pursuing legislative changes needed to further reduce workers' compensation costs.

Finding #2: Cost Containment Efforts

Postal Service management implemented initiatives to return employees to work quickly, used ECOMP, and reduced employees on the periodic rolls, which helped reduce workers' compensation costs.

ELM 546 Reassignment or Reemployment of Employees Injured on Duty Review

Under the ELM 546 review initiative, occupational health processing (OHP) specialists made a concentrated effort to apply the Postal Service policies already established to return employees to work in five districts⁶ over the course of FY 2018. According to OSH management, 460 job offers were provided to employees within their medical restrictions and 351 employees returned to

work in these districts during the review. These efforts effectively reduced workers' compensation costs and saved over \$2.90 million during FY 2019 when compared to FY 2018.

The five districts were selected for the review based on having the highest number of "no work available" cases.⁷ OHP specialists at each of the five districts reviewed each injury case and applicable medical restrictions to determine the employee's eligibility for reassignment or reemployment. Overall, specialists identified employees who had partially recovered from their injuries but were not working and offered them jobs specifically created for the

“If the Postal Service was allowed to adopt the practices used by the private industry to control workers' compensation costs, it could have potentially saved more than \$692.9 million during CBY 2021 and CBY 2022.”

⁵ Apportionment is the division of how much of an employee's disability is due to a work-related injury and how much is due to a preexisting disability.

⁶ The review was conducted at six districts during FY 2018. On March 3, 2021, Postal Service management announced their plan to consolidate districts nationwide, consolidating the six districts down to five districts. For the five districts reviewed, see [Table 4 in Appendix A](#).

⁷ No work available refers to instances when an employee is physically able to return to work, but a modified assignment has not been identified.

review. These jobs included administrative work like answering phones or performing customer relationship management assessments. Injured employees who returned to work were allowed to charge their workhours to headquarters versus their facility during the review phase. This reduced operating expenses and positively impacted facility management’s National Performance Assessment goals, which increased management’s willingness to accommodate these employees.

Normally, the job offer process is performed by field-level supervisors instead of the OHP specialists. However, field-level supervisors did not always perform their duties related to the job offer process in accordance with established policy. Therefore, the specialists’ involvement in this process helped the Postal Service meet their goals. From FY 2020 through FY 2022, the Postal Service improved its nationwide return-to-work rates for the initial 45-day post injury period and the two-year period, see Table 2.

As a result of the review, HQ OSH management rolled out nationwide training on the ELM 546 process to include guidance on proper work search reviews and accommodation of limited duty employees. HQ OSH management also emphasized periodic reviews of medical documentation for injured employees to ensure active case management and return-to-work efforts. Additionally, management made 28 training modules available to OHP specialists in the Postal Service’s HERO training platform that covered basic training in injury compensation areas, such as an overview of FECA, the return-to-work process, periodic roll reviews, and continuation of pay. Furthermore, the HQ OSH group’s current organizational structure consists of four field operations groups that act as subject matter experts

to assist each district’s OHP specialists in areas needing attention. These four groups include finance, execution, compliance, and implementation. HQ OSH management indicated this structure provided increased efficiencies in case management, additional monitoring, and ongoing training for OHP specialists.

Employees’ Compensation Operations & Management Portal (ECOMP)

HQ OSH management effectively implemented ECOMP nationwide on March 16, 2020. The DOL OWCP administers the ECOMP system, which is a self-service web-based application that provides federal agencies and their employees with an electronic system for recording workplace injuries and illnesses and initiating and processing claims under the FECA. ECOMP provides several benefits, including the ability to file workers’ compensation claims electronically and improve the timely submission of claims. Specifically, ECOMP allows employees to send their claims to their supervisor for eventual submission to DOL OWCP, which allows them to receive their benefits quicker and potentially return to work sooner. Additionally, employees can upload supporting documentation such as letters and medical reports directly to ECOMP to keep their claim information current, which allows OHP personnel at each district to manage their cases in one centralized location. ECOMP eliminates the need to provide paper copies of documents and addresses one of HQ OSH management’s planned initiatives on case management and digitization. Prior to ECOMP, injured employees completed claim forms manually and sent them to their supervisor and OHP specialist to review, sign, and ultimately fax or email to DOL OWCP.

Table 2. Return-to-Work Goals – FY 2020 through FY 2022

Description (Return to Work)	FY 2020		FY 2021		FY 2022	
	Target ⁸	Result	Target	Result	Target	Result
Initial 45-day post-injury period	—	75%	66%	67%	66%	84%
Two-year period	91%	88%	92%	93%	93%	94%

Source: DOL’s Protecting Employees, Enabling Reemployment (PEER) Initiative website.

⁸ A target was not established for the 45-day return-to-work goal for FY 2020.

Table 3. Timely Filing Goals – FY 2020 through FY 2022

Description (Timely Filing)	FY 2020		FY 2021		FY 2022	
	Target	Result	Target	Result	Target	Result
Injury and Illness Notices (Form CA-1/CA-2)	98%	99%	98%	100%	98%	95%
Wage Loss Claims (Form CA-7)	98%	98%	98%	99%	98%	97%

Source: DOL’s PEER Initiative website.

As shown in Table 3, the implementation of ECOMP has contributed to the Postal Service’s timely filing of injury and illness notices and wage loss claims during FY 2020 and FY 2021. However, according to HQ OSH management, the Postal Service’s timely filing rate decreased during FY 2022 due to the increase in claims related to COVID-19.

OHP specialists monitor cases of employees placed on periodic rolls to verify proper receipt of FECA benefits and current medical documentation, either supporting continued disability or indicating whether employees have the capacity to return to work. These cases represent employees with disabilities expected to continue for more than 90 days. The number of employees on the periodic rolls generally trended downward during our scope, which started with 15,525 in FY 2017 and decreased by 593 (or 4 percent) to 14,932 employees by the end of FY 2022, see [Figure 5](#). On average, there were 15,118 employees on the periodic rolls annually during these years.

“The number of employees on the periodic rolls generally trended downward during our scope, which started with 15,525 in FY 2017 and decreased by 593 (or 4 percent) to 14,932 employees by the end of FY 2022.”

Periodic Rolls Case Management

OHP specialists monitor cases of employees placed on periodic rolls to verify proper receipt of FECA benefits and current medical documentation, either supporting continued disability or indicating whether

employees have the capacity to return to work. These cases represent employees with disabilities expected to continue for more than 90 days. The number of employees on the periodic rolls generally trended downward during our scope, which started with 15,525 in FY 2017 and decreased by 593 (or 4 percent) to 14,932 employees by the end of FY 2022, see [Figure 5](#). On average, there were 15,118 employees on the periodic rolls annually during these years.

According to HQ OSH management, the decrease in periodic roll activity was attributed to several factors, such as identifying a modified assignment within the employee’s medical restrictions, returning employees to full duty, and employee attrition.

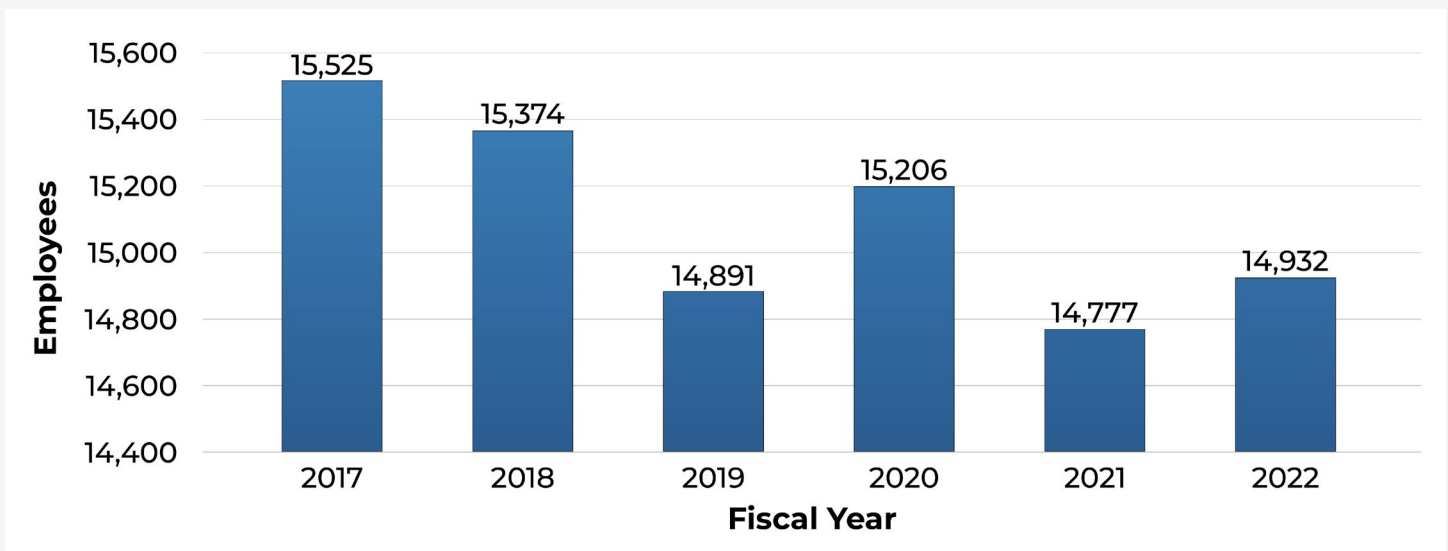
Current Postal Service policy allows management to take administrative action on employees on the periodic rolls who have no work capacity and are not likely to return to work with the Postal Service in any capacity, such as:

- In their original position,
- In a modified assignment,
- Either on a temporary or permanent basis, or
- In another position as a reasonable accommodation.⁹

In accordance with this policy, the Postal Service separated a total of 1,217 employees, or an average of 203 employees annually, from the periodic rolls between FY 2017 and FY 2022, see [Figure 6](#). This represented 1 percent of the average number of employees on the periodic rolls during these years. After an employee is separated, they continue to receive benefits from DOL, the costs of which are reimbursed by the Postal Service. However, the Postal Service can fill the position previously held by the employee with a new hire, which can positively impact facility performance and potentially reduce overtime activity.

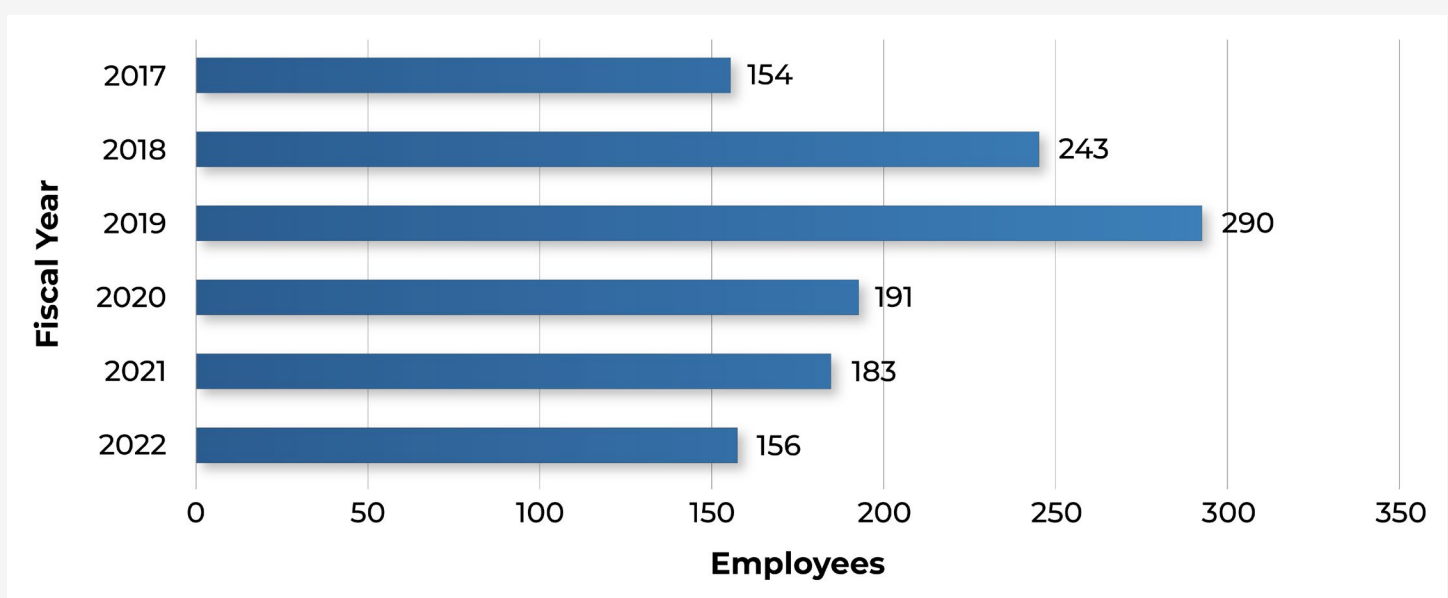
⁹ ELM, Section 365.342c, page 63; EL-505, Section 4-22, pages 88-89.

Figure 5. Employees on Periodic Rolls Between FY 2017 and FY 2022



Source: HQ OSH management.

Figure 6. Employees Administratively Separated During FY 2017 through FY 2022



Source: HQ OSH management.

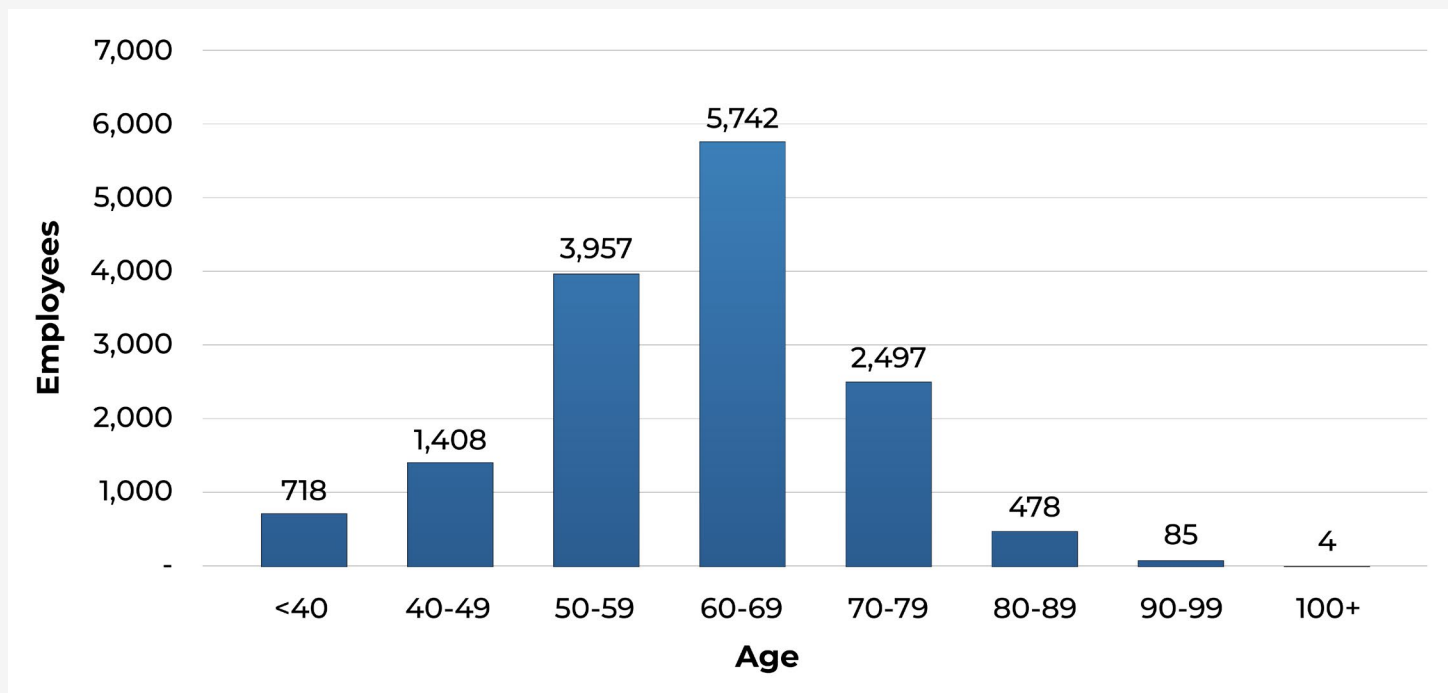
The periodic rolls contain employees who are receiving workers' compensation benefits and have disabilities that are expected to be permanent or indefinite. At the end of FY 2022, there were employees between 20 and 103 years of age on the periodic rolls, see [Figure 7](#).

Rising inflation has impacted many segments of the economy, including workers' compensation. According to one study, medical costs per workers'

compensation claims increased almost 18 percent between 2012 and 2021. Given that the Postal Service's workers' compensation costs decreased by 4 percent from \$1.27 billion in CBY 2017 to \$1.22 billion in CBY 2022, this further demonstrates the effectiveness of management's cost containment efforts.

Based on our assessment of these initiatives, we are not making a recommendation.

Figure 7. Employees on Periodic Rolls by Age as of the end of FY 2022



Source: HQ OSH management.

Finding #3: Leveraging Technology

Opportunities exist for management to further improve their Injury Compensation Program by increasing their use of automated processes. Specifically, we found HQ OSH management could streamline and automate time-consuming manual processes, such as: (1) calculating comparable pay rates for employees and researching hours worked by rural carriers, and (2) recording and tracking data elements from newly submitted claims in the ECOMP system using spreadsheets. Specifically, OHP specialists manually:

- Calculated comparable pay for an injured employee who worked for the Postal Service for less than a full year. For example, the OHP specialist must access various systems and ensure the comparable employee is in the same or most similar job class and in the same or adjacent geographical area that had the greatest number of work hours during the year immediately prior to the injury date. Then, the specialist reviews the underlying data and manually calculates the results to determine the actual earnings of a comparable employee. There are many ways this process could be automated, such as developing a report that collects the

necessary data from the various systems using defined criteria and calculates a comparable pay rate.

Also, OHP specialists researched the number of hours worked by injured rural carriers to ensure these employees received the correct amount of Continuation of Pay¹⁰ (COP) compensation during the 45-day COP period. The OHP specialist begins this process by accessing and analyzing an employee's estimated hours from the Rural Management Support System. Then, given the 45-day COP period, the specialist calculates the appropriate number of COP hours to which the employee is entitled. One potential way to automate this process would be to develop a report that queries the hours associated with a rural carrier's route and calculates the projected end date of their 45-day COP period. These processes require OHP specialists to access automated data from various systems and then use their experience and judgment to perform manual data analyses and calculations.

- Recorded and tracked data elements from newly submitted claims in the ECOMP system using Excel spreadsheets. Prior to the implementation of ECOMP, OHP specialists maintained physical

¹⁰ Continuation of pay represents an employee's normal salary and is paid by the Postal Service. Employees who suffer a job-related injury are entitled to this pay for the length of their injury for up to 45 calendar days.

files of employee documentation, and manually tracked and managed claims through the Postal Service’s Employee Health and Safety system¹¹ and manual Excel spreadsheets. Although the implementation of ECOMP has automated several work processes and workflows, OHP specialists continue to manually track and monitor various aspects of case management using Excel spreadsheets. For example, at five districts visited, specialists would enter information in fields for tracking new FY 2022 submitted injury claims and associated DOL forms. Other fields included COVID-19 claims and date ranges associated with COP, between 45 days and two years, and over two years.

According to our research, one of the primary benefits of case management is real-time accessibility where employees can complete reports and update information, upload documentation and evidence, and log incidents as soon as they happen. Also, online case management software eliminates duplication of effort, giving employees more time to work on other tasks to boost efficiency while streamlining the case management process.¹² Additionally, according to Federal Internal Control Standards, automated control activities, which include techniques to achieve the entity’s objectives, tend to be more reliable because they are less susceptible to human error. These activities are typically more efficient, which minimizes the waste of resources.¹³

“Using technology to calculate comparable pay rates, research rural carrier workhours, and track submitted claims would help ensure the Postal Service performs processes in their Injury Compensation Program efficiently and allow specialists to focus on tasks oriented towards cost reduction.”

OHP specialists at all five districts visited stated there is currently no automated system to perform the three manual processes, and they were unaware of other methods to perform them more efficiently. The OHP specialists also stated the calculation to determine an employee’s appropriate comparable salary takes anywhere between an entire day to multiple days to complete. This was due to the specialists’ need to access, obtain, and review data from various Postal Service systems. HQ OSH management stated that while they continuously review their internal processes for potential improvements, the processes of calculating comparable pay and researching rural carrier workhours inherently require specialists to perform tasks manually. Management also stated guidance on these two processes has been regularly shared with the field.

Additionally, OHP specialists stated they still manually record and track information on submitted claims using spreadsheets because the ECOMP system does not currently have the functionality to capture and summarize specific claims information. HQ OSH management issued guidance to OSH field offices of their transition to a paperless workplace beginning October 1, 2022, and provided instructions on how they should leverage the SHMT to handle Postal Service-related documents gathered as part of their internal processes. However, OHP specialists did not follow management’s guidance to use the Safety and Health Management Tool (SHMT) to track submitted claims. Management also stated SHMT contains a library of standard work instructions that provides guidance to specialists on how to use SHMT, to include case management and tracking. Furthermore, HQ OSH management plans to implement new modules in the SHMT on October 1, 2023, which will provide additional tools associated with occupational health tracking, on-the-job injury claims management, and improved reporting and performance metrics.

Using technology to calculate comparable pay rates, research rural carrier workhours, and track submitted claims would help ensure the Postal Service performs processes in their Injury Compensation Program efficiently and allow specialists to focus on tasks oriented towards cost reduction.

11 The Employee Health and Safety system is no longer in use and has been replaced by the Safety and Health Management Tool.

12 <https://www.i-sight.com/resources/online-case-management-software-3-benefits-of-a-web-based-system/>.

13 GAO-14-704G, *Federal Internal Control Standards*, Section OV2.19, Page 13, and Sec. 10.02 and 10.06, Pg. 45 and 49, September 2014.

Recommendation #2

We recommend the **Vice President, Human Resources**, evaluate opportunities and identify barriers to streamline and automate the routinely performed manual processes of calculating comparable pay and researching rural carrier workhours associated with the Injury Compensation Program

Recommendation #3

We recommend the **Vice President, Human Resources**, reiterate guidance to all Occupational Health Claims field offices to use the Safety Health Management Tool to track submitted claims.

Management's Comments

Management agreed with all findings and recommendations. In subsequent correspondence, management also agreed with the monetary impact. Their targeted implementation date for all three recommendations is June 30, 2023.

Regarding recommendation 1, management will present a briefing summary to the Postmaster General and the Deputy Postmaster General/Chief Human Resources Officer.

Regarding recommendation 2, management will evaluate opportunities and/or barriers to automating the process for calculating comparable pay and rural work hours.

Regarding recommendation 3, management will reiterate the policy requiring all field Occupational Health Claims offices to utilize the Safety and Health Management Tool in order to remain a paperless process.

See [Appendix C](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. All recommendations require OIG concurrence before closure. Consequently, the OIG requires written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

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Work Injury Claim

Work Injury Claim Form, I certify that the information provided is true and accurate and contains no omissions, misstatements, representations, or omissions. I hereby authorize responsible persons to conduct a background investigation.

First Name	Last Name
Home Phone:	
City	

Appendix A: Additional Information

Scope and Methodology

We reviewed and analyzed workers' compensation data from the Injury Compensation Performance Analysis System and Headquarters Occupational Safety and Health Management from FY 2017 through FY 2022. To accomplish our objective, we:

- Reviewed Postal Service and Department of Labor policies and procedures related to workers' compensation.
- Analyzed workers' compensation costs, claims, and periodic rolls data to identify trends, risk areas, and anomalies.
- Benchmarked the private industry's workers' compensation cost per workhour and state governments' cost containment practices.
- Interviewed field and headquarters personnel regarding their responsibilities, processes, and procedures over the Postal Service's Injury Compensation Program and initiatives to reduce workers' compensation costs.
- Reviewed supporting documentation as it related to workers' compensation.
- Visited five districts based on management's implemented cost containment initiatives, see Table 4:

We conducted this performance audit from August 2022 through May 2023 in accordance with generally accepted government auditing standards and included such tests of internal controls as we

considered necessary under the circumstances. Those 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. We discussed our observations and conclusions with management on April 6, 2023, and included their comments where appropriate.

We assessed the reliability of workers' compensation data by reviewing existing information and documentation contained within safety, health, and workers' compensation systems; performing testing related to the completeness, reasonableness, accuracy, and validity of the data; and interviewing Postal Service officials knowledgeable about the data. We determined the data was sufficiently reliable for the purposes of this report.

Table 4. Districts Visited Based on Initiatives

	Retail and Delivery Area	District
1	Atlantic	North Carolina
2	Southern	Florida 1
3	Southern	Tennessee
4	Southern	Texas 1
5	WestPac	California 4

Source: HQ OSH management.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Payments to Injured Employees</i>	Determine whether the Postal Service is properly paying its injured workers.	20-156-R20	9/30/2020	\$15.7
<i>Workers' Compensation Program Cost Containment Activities</i>	Determine the status of postal cost containment activities related to workers' compensation costs and liabilities.	19-031-R20	8/6/2020	None
<i>Postal Service's Limited Duty and Rehabilitation Programs - Return-to-Work Processes in the Southern and Pacific Areas</i>	Assess whether the Postal Service effectively managed its Limited Duty and Rehabilitation programs to ensure injured employees in the Southern and Pacific areas who were deemed fit returned to work timely.	HR-AR-18-003	3/1/2018	None

Appendix B: Health Care Investigations

The OIG's Office of Investigation strives to identify instances of suspected workers' compensation fraud by claimants and medical providers. A false representation typically involves misrepresentation of one's physical limitation or failure to report income. When OIG special agents find instances of fraud, they gather facts and report findings to management and prosecutors. Criminal prosecution is an effective deterrent to combating workers' compensation fraud. The OIG's overall goal is to prevent and deter workers' compensation fraud, not simply detect, and investigate it. Recent examples of workers' compensation fraud investigated by the OIG include:

- Postal Service management in West Palm Beach, FL, contacted the OIG to report that a Vehicle Maintenance Facility employee was suspected of committing workers' compensation fraud. The employee claimed that while replacing a vehicle starter, he sustained an injury that caused him to experience stomach pain. His claim was approved, and he began receiving workers' compensation benefits for an alleged work-related hernia. Despite being offered light duty work and no lifting, which would be consistent with his restrictions, he refused and never returned to work.

The investigation determined that while claiming he could not work, the employee owned and operated a food trailer. He was physically active cooking brisket and lifting large amounts of meat onto the trailer. However, he did not disclose his work activities or report the earnings from his business, as required. The employee's physician said the employee misrepresented himself and could have been working his Postal Service job. In February 2020, the former employee pleaded guilty to fraud, was sentenced to one year of probation and ordered to pay restitution of almost \$7,500. As a result of this investigation, a cost avoidance of more than \$2 million was realized by the Postal Service.

- A letter carrier submitted Duty Status Reports¹⁴ allegedly completed by her physician to Postal Service management indicating she was physically limited in performing her job. Records

obtained from various dog agility competitions revealed the carrier and her dogs participated in over 1,300 events since 2012, and approximately 51 videos obtained showed the carrier sprinting around, bending forward at the waist, making extensive use of her arms to command dogs through tunnels, and over jumps and ramps — all of which were inconsistent with her claimed limited physical abilities. Simultaneously, the carrier was receiving workers' compensation benefits, which as of February 2019, totaled more than \$100,000. In October 2019, the carrier pleaded guilty to theft of government property, and on February 10, 2020, the carrier was sentenced to one year of probation and ordered to pay restitution of approximately \$108,500.

- In October 2018, the OIG initiated an investigation into a former mail handler receiving disability payments for a claimed injury. The investigation revealed the former mail handler used a pre-existing injury from a previous non-work-related vehicle accident to claim disability benefits. But after the claim was approved, the former handler did not receive any further medical treatment or pain medication. Additionally, the former handler operated a debris-removal business, a construction business, and was a certified landlord for Section 8 housing in Philadelphia, PA — none of which was reported as income, as required. Video surveillance showed him doing yard work, lifting, and carrying heavy items, and working on a race car as well as hitching a flatbed car carrier, box trailer, and fifth-wheel RV to a truck. The claimant vacationed in Key West, FL, and the Grand Canyon and engaged in extensive physical activity, such as weightlifting and bicycling.

The former mail handler pleaded guilty to fraud and was sentenced to 30 months' incarceration followed by two years' probation. He was ordered to pay approximately \$732,000 in restitution to the Postal Service. DOL OWCP terminated his benefits, resulting in a cost avoidance of more than \$1.3 million.

¹⁴ A form completed by the employee's supervisor and physician for the purpose of determining how much, if any, of the employee's work requirements can be performed.

- In April 2018, the OIG and other federal partners investigated a large conspiracy involving health care fraud and violations of anti-kickback statutes by a telemarketing company, numerous pharmacies, and a drug manufacturer. The pharmacies sought prescriptions for medications with inflated reimbursement rates. The telemarketing company used misleading marketing techniques to obtain patients' insurance information and to convince the patients to accept the medications. The telemarketing company then paid doctors to authorize the prescriptions through its telemedicine platform, even though the doctors never communicated directly with the patients and relied solely on the telemarketers. The pharmacies paid the telemarketing company \$500 per prescription.

One pharmacy owner was convicted and sentenced to 14 years' imprisonment and ordered to pay over \$24.6 million in restitution along with \$2.5 million in forfeiture. The remaining 14 defendants pleaded guilty and were sentenced to various jail terms and ordered to pay over \$54 million in restitution.

Appendix C: Management's Comments



May 8, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response:

Thank you for providing the Postal Service with an opportunity to review and comment on the finding and recommendation contained in the draft audit report, Workers' Compensation Program Update.

Management agrees with each OIG finding(s) and has not identified any factual inaccuracies in the report.

Recommendation [1]:

We recommend the Vice President, Human Resources, use the information in this report to develop a briefing summary for the Postmaster General and the Deputy Postmaster General/Chief Human Resource Officer to consider the possibility of pursuing legislative changes needed to further reduce workers' compensation costs.

Management Response/Action Plan:

Management **agrees** with this recommendation and will present a briefing summary to the Postmaster General and the Deputy Postmaster General/Chief Human Resources Officer.

Target Implementation Date: 08/30/2023

Responsible Official:

Vice President, Human Resources

Recommendation [2]:

We recommend the Vice President, Human Resources, evaluate opportunities and identify barriers to streamline and automate the routinely performed manual processes of calculating comparable pay and researching rural carrier workhours associated with the Injury Compensation Program.

Management Response/Action Plan:

Management **agrees** with this recommendation and will evaluate opportunities and/or barriers to automating the process for calculating comparable pay and rural work hours.

Target Implementation Date: 08/30/2023

Responsible Official:

Sr. Director, Occupational Safety and Health

Recommendation [3]:

We recommend the Vice President, Human Resources, reiterate guidance to all Occupational Health Claims field offices to use the Safety Health Management Tool to track submitted claims.


Management Response/Action Plan:

Management agrees with this recommendation and will reiterate the policy requiring all field OHC offices to utilize the Safety & Health Management Tool in order to remain a paperless process.

Target Implementation Date: 06/30/2023

Responsible Official:

Sr. Director, Occupational Safety and Health

 E-SIGNED by Simon.M Storey
on 2023-05-03 11:38:36 CDT

Vice President, Human Resources

cc: Manager, Corporate Audit Response Management

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UNITED STATES



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