

WORKERS' COMPENSATION TRAUMATIC INJURY CLAIMS

Federal Aviation Administration

Report Number AV-2003-011

Date Issued: January 17, 2003



**U.S. Department of
Transportation**


Office of the Secretary
of Transportation

Office of Inspector General

Memorandum

Subject: ACTION: Report on Workers' Compensation
Traumatic Injury Claims
Report No. AV-2003-011

Date: January 17, 2003

From: Alexis M. Stefani 
Principal Assistant Inspector General
for Auditing and Evaluation

Reply to
Attn of: JA-10:x60500

To: Federal Aviation Administrator

This is our final report on Workers' Compensation Traumatic Injury Claims within the Federal Aviation Administration's Air Traffic Services line of business. Workers' compensation cases can be grouped into two broad categories. The first category, long-term cases, involves claimants who have been disabled for over a year and are not expected to return to work. The second category, traumatic injury claims, involves claimants who experience a physical or stress-induced injury as a result of a traumatic event. These claimants can receive up to 45 days off with continuation of pay to recuperate from their injuries.

In fiscal year 2002, Air Traffic Services incurred approximately \$1.7 million in operating costs to pay salaries for employees out on traumatic injury claims. That amount represents a 39 percent increase over the past 4 years as compared to total workers' compensation program costs, which increased by less than 5 percent during the same period.

Our review of the workers' compensation program within Air Traffic Services found indications of potential fraud and/or abuse involving stress-related traumatic injury claims, and we have forwarded this information to our Office of Investigations for further review. We were unable, however, to determine whether the cases we saw are indicative of systemic problems, because Air Traffic Services does not require facilities to track information on stress-related traumatic injury claims.

At the locations we visited, we found that the data tracked on traumatic injury claims varied extensively from location to location. For example, at two facilities we visited, managers regularly tracked the historical data of claims, the status of claimants, the number of days taken, the number of claims submitted by each employee, and the total costs associated with each claim. In contrast, managers at another facility had virtually no idea about the nature or extent of claims at their location, the related costs, or even whether the Department of Labor approved the claims.

If information on traumatic injury claims is documented, it can provide management with trends in claims and costs that could identify problem areas or potential fraud. We are recommending that Air Traffic Services adopt the best practices used at some locations, and require all facility managers to track data associated with traumatic injury claims in order to identify potential cases of fraud or abuse.

If managers suspect potential fraud or abuse of traumatic injury claims, they should contact the Department of Transportation Inspector General's Hotline at (800) 424-9071.

OBJECTIVE AND SCOPE

The objective of our review was to evaluate the Federal Aviation Administration's (FAA) oversight of the workers' compensation program within Air Traffic Services to ensure that the program was properly managed to prevent unnecessary costs. We conducted the review between December 2001 and June 2002 at FAA Headquarters, two regional offices, and six field facilities within those two regions.

Our review focused on workers' compensation claims within Air Traffic Services for the period October 1, 1998, through September 1, 2001. The methodology used in this review can be found in the Exhibit.

BACKGROUND

The workers' compensation program is administered by the Department of Labor and provides benefits to civilian employees of the United States for injuries sustained while working. The Department of Labor makes benefit payments to the claimants and annually bills FAA for these costs related to FAA employees. FAA is then reimbursed for these costs through an annual appropriation. In fiscal year (FY) 2002, workers' compensation costs for FAA were approximately \$88 million—over \$76 million (87 percent) of these costs were for Air Traffic Services.

Within the program, workers' compensation cases can be grouped into two broad categories. The first category, long-term cases, involves claimants who have been disabled for over a year and are not expected to return to work. The second category, traumatic injury claims, involves claimants who experience a physical or stress-induced injury as a result of a traumatic event. These claimants can receive up to 45 days off with continuation of pay (COP) to recuperate from their injuries. Traumatic injury claims can be filed for physical injuries, such as back injuries, or stress-related injuries, such as when a controller experiences an incident or accident involving aircraft under his or her control.

RESULTS

We found that Air Traffic Services has an opportunity to reduce its operating costs by improving oversight of traumatic injury claims involving COP. Although long-term cases represent the greatest portion of workers' compensation costs, we found several significant reasons for Air Traffic Services to focus its immediate efforts on traumatic injury claims involving COP.

Traumatic Injury Claim Costs Have Risen Significantly Over the Past 4 Years

Unlike long-term claims, which are reimbursed through an annual appropriation, salaries for employees receiving COP come directly out of FAA's operating budget. In FY 2002, Air Traffic Services incurred approximately \$1.7 million in operating costs to pay salaries for employees on COP for traumatic injuries.

That amount represents a 39 percent increase over the past 4 years as compared to total workers' compensation program costs, which increased by less than 5 percent during the same period. These costs do not include overtime expenses that many facilities incur in order to fill-in for employees out on COP. Those costs can be significant. For example, at one location we visited, the facility's overtime costs associated with COP increased from \$153,000 to over \$400,000 in a single year—an increase of over 160 percent.

We found that the majority of traumatic injuries claimed by controllers are stress-related, and an increasing number of these claims are being filed. For example, at 1 field facility we visited, the number of individuals filing stress-related injury claims involving COP nearly doubled in 1 year, going from 34 to 60. Additionally, the average number of days an individual was off duty on COP increased from 10 days to 18 days at that location.

FAA Managers Expressed Concerns About Potential Abuse of Traumatic Injury Claims

At five of the six field facilities we visited, FAA managers expressed concerns regarding possible abuse of stress-related traumatic injury claims. At several locations, we found stress-related claims were being filed by controllers who were simply present when another controller was involved in an operational error,¹ and did not experience the error themselves. For example,

- A husband and wife both filed stress-related injury claims on the same day, when only one of them was actually involved in an operational error. This happened twice within 2 years. Their total time off on COP amounted to 165 days.
- Three controllers and a supervisor at one facility filed stress-related injury claims for the same operational error, when only one of them was directly involved. The total time off on COP for these employees amounted to 140 days.
- Controllers at one facility continued working normal operations following an incident and did not file a traumatic injury claim for stress until 4 or 5 days later, when they learned they had been charged with an operational error.

We also found controllers filed stress-related claims for a variety of other questionable reasons in what appears to be a way of receiving additional paid time off. For example,

- A controller at one facility filed a stress-related claim in January, and then sent a letter to the facility asking that his mail be redirected to Florida during his time off on COP. He received the full 45 days off on COP.
- Another controller was “traumatized” when he observed a supervisor make an offensive gesture at another controller. This individual filed a traumatic injury claim for stress from observing the incident and received 3 days off on COP.

We also found cases of controllers who, over the years, have filed multiple claims for stress-related injuries. For example,

- One controller at a field facility we visited filed seven claims for stress-related injuries in just over 6 years, receiving 119 days off on COP.

¹ An operational error occurs when a controller fails to maintain distance separation requirements between aircraft.

- Another controller at the same facility filed three stress-related injury claims within 6 months and received a total of 100 days off on COP.

Further, we found many of the stress-related injury claimants were repeatedly diagnosed by the same doctors. At one facility, we found that virtually all stress-related injury claimants went to the same two psychologists. These doctors, who distributed their cards at the facility, performed the same tests on each controller, completed a form letter on the individual, and specified the necessary time for recuperation. For these services, the doctors received payments from the Government of up to \$500 per claim.

Where cases in our review showed indications of fraud and/or abuse, we forwarded them to our Office of Investigations for further review. However, we were unable to determine whether the cases we saw are indicative of systemic problems, because Air Traffic Services does not require facilities to track information on traumatic injury claims.

At the locations we visited, we found that the data tracked on traumatic injury claims varied extensively from location to location. For example, at two facilities we visited, managers regularly tracked the historical data of claims, the status of claimants, the number of COP days taken, the number of claims submitted by each employee, and the total COP and related overtime costs.

In contrast, managers at another facility had virtually no idea about the nature or extent of claims at their location, the related costs, or even whether the Department of Labor approved the claims. If information on traumatic injury claims is documented, it can provide management with trends in COP usage and costs that could identify problem areas or potential fraud. Air Traffic Services has an opportunity to improve its oversight of traumatic injury claims by adopting the best practices used at some locations.

Limited Tests of Long-Term Cases Did Not Indicate Potential Fraud

In contrast to the problems we found involving traumatic injury claims, we found no significant indications of widespread abuse involving FAA's long-term cases based on limited testing. To test for potential fraud, we reviewed all FAA long-term cases at one Department of Labor (DOL) region. We reviewed each case for attributes that, according to DOL investigators, were strong indicators of potential fraud. Those attributes included compensation payments being made (1) when the claimant was deceased, (2) when there were little or no medical claims, and/or (3) when there had been no medical costs claimed for over 3 years.

Of the 671 long-term cases we reviewed, we identified 160 (24 percent) that had one or more of those attributes. Of the 160 cases identified, we examined 37 case files (23 percent) that had the highest indications of possible fraud and conducted additional tests to verify information contained in each file. Results of our tests showed no evidence of fraud involving those cases. For example, payments for deceased claimants were correctly being made to surviving family members who qualified for benefits.

CONCLUSION

Air Traffic Services has an opportunity to reduce its future operating costs by improving oversight of traumatic injury claims involving COP. Controls over traumatic injury claims need to be improved because: (1) COP costs are a direct expense to Air Traffic's operating budget; (2) absences for traumatic injury claims can adversely impact both staffing and overtime costs; (3) traumatic injury claims can be subject to abuse and/or fraud; and (4) procedures for managing traumatic injury claims are not uniform and vary extensively by location.

RECOMMENDATION

We recommend that Air Traffic Services require facility managers to track data and related costs associated with traumatic injury claims. This information should include at a minimum: (1) the number and nature of injuries associated with traumatic injury claims, (2) COP costs by claim, and (3) any overtime costs associated with backfilling for controllers out on traumatic injury leave.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

On December 11, 2002, FAA provided a response (see Appendix) to our November 1, 2002, draft report. In its response, FAA concurred with our recommendation and stated that it agreed to "institute a greater effort at tracking cost data associated with backfill overtime and COP associated with workers' compensation claims filed for traumatic injury."

Although FAA concurred with our recommendation, the agency's written response appears to address only the portion of our recommendation pertaining to tracking costs associated with traumatic injury claims. FAA's response does not indicate whether

the agency will require managers to track historical data on the number and nature of injuries associated with traumatic injury claims, or COP costs by claim.

FAA's response indicates that the agency is either not fully considering or not fully understanding the intent of our recommendation. For example, in its response, FAA states that the recommended action "will not, by itself, lead to the reduction of claims, injuries, and costs called for in the Executive Office initiative, Federal Worker 2000. The recommended action will more completely identify the indirect costs of the program that impact the operational budget. It will not necessarily mitigate those costs by reducing claims."

We disagree. The intent of our recommendation was not for FAA to simply monitor additional costs associated with its Workers' Compensation Program. Our recommendation was intended to help mitigate FAA's workers' compensation costs by developing better controls for detecting and preventing potential cases of waste, fraud, or abuse. Information such as the status of claimants, the number of COP days taken, and the number of claims submitted by each employee are critical for detecting potential fraud involving traumatic injury claims. As we stated in the report, we were unable to determine whether the cases we saw during our review were indicative of systemic problems, because Air Traffic Services does not require facilities to track information on traumatic injury claims.

Accordingly, we request that FAA clarify its response and identify whether the agency concurs with our recommendation to require managers to track data associated with traumatic injury claims and, if so, provide a timeframe for implementing intended actions.

ACTIONS REQUIRED

In accordance with DOT Order 8000.1C, we request that you provide a clarification to your response within 30 days including a timeframe for implementing intended actions, if you concur. If you do not concur, please provide an explanation of your position. You may provide alternative courses of action that you believe would resolve the issues presented in this report.

We appreciate the cooperation and assistance provided by you and your staff during our review. If you have any questions or need further information, please contact me at (202) 366-1992 or David A. Dobbs, Assistant Inspector General for Aviation Audits, at (202) 366-0500.

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cc: Associate Administrator for Air Traffic Services (ATS-1)

EXHIBIT. METHODOLOGY

We conducted this review in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States and included such tests as we considered necessary to provide reasonable assurance of detecting abuse or illegal acts.

Our methodology was designed to answer the following question: Is Air Traffic Services providing the appropriate oversight of the workers' compensation program? To answer this question, we interviewed officials from FAA's Office of Labor and Employee Relations to determine FAA's oversight role in the program and to determine what policies FAA has over the workers' compensation program. We also interviewed Department of Transportation and FAA Budget personnel to determine the costs associated with the program, agency-wide.

We conducted fieldwork at several field facilities to determine the processes used at different locations and reviewed case files (long-term and traumatic injury claims) at the facility and regional level. In addition, we interviewed officials from the Department of Labor to determine what attributes constitute a well-managed workers' compensation program and to determine what FAA should be doing to reduce costs of the program. We also reviewed 671 Department of Labor long-term cases of FAA employees and verified 37 case files for accuracy and potential fraud. Finally, we contacted investigators from the Department of Labor, FAA, and the Department of Transportation Office of Inspector General to determine whom managers should contact if they suspect fraudulent claims.

APPENDIX. MANAGEMENT COMMENTS



U.S. Department
of Transportation

**Federal Aviation
Administration**

Memorandum

Subject: **INFORMATION:** Workers' Compensation
Traumatic Injury Claims

Date: December 11, 2002

From: Assistant Administrator for Financial Services
and Chief Financial Officer

Reply to
Attn. of:

To: Assistant Inspector General for Aviation Audits

As requested in your memorandum dated November 1, the following is the Federal Aviation Administration's (FAA) response to your recommendation.

OIG Recommendation: Air Traffic Services require facility managers to track data and related costs associated with traumatic injury claims. This information should include at a minimum: (1) the number and nature of injuries associated with traumatic injury claims, (2) continuation of pay (COP) costs by claim, and (3) any overtime costs associated with backfilling for controllers out on traumatic injury leave.

FAA Response: Concur. The FAA Air Traffic Services will take action to institute a greater effort at tracking cost data associated with backfill overtime and COP associated with workers' compensation claims filed for traumatic injury. The FAA agrees that this action will alert agency officials of the true cost of workers' compensation claims, i.e., direct chargeback to the Department of Labor and indirect operating costs paid by yearly lines of business operating allocations.

The agency has a concern, however, that this action will not, by itself, lead to the reduction of claims, injuries, and costs called for in the Executive Office initiative, Federal Worker 2000. The recommended action will more completely identify the indirect costs of the program that impact the operational budget. It will not necessarily mitigate those costs by reducing claims.

Before the report, FAA recognized the need to initiate a more concerted effort to mitigate the cost of traumatic injury claims. In fact, funding using existing Air Traffic operational funds for this effort was initially established in fiscal year 2002, but eventually was cut due to a severe budget shortfall. For the current fiscal year, we have made this effort a high priority action item for the Air Traffic management team.

If you have questions or need further information, please contact Anthony Williams, Budget Policy Division, ABU-100. He can be reached at (202) 267-9000.

A handwritten signature in black ink, appearing to read 'C. Bertram'.

Chris Bertram