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UNITED STATES POSTAL SERVICE

HIGHLIGHTS

July 25, 2013

**Postal Service Injury
Compensation Program**

Report Number HR-AR-13-004

BACKGROUND:

U.S. Postal Service employees are covered by the Federal Employees' Compensation Act, which provides benefits to civilian federal employees who sustain an injury or occupational disease as a result of their employment. The U.S. Department of Labor administers, implements, and enforces this act. The Postal Service manages efforts to return injured employees to work through its Injury Compensation Program. For the 2012 billing period, the Postal Service incurred more than $1.3 billion in workers' compensation costs and paid more than $68 million in administrative fees — an increase of more than 25 and 23 percent, respectively, since the 2009 billing period.

The U.S. Postal Service Office of Inspector General (OIG) audits Postal Service programs to help determine whether they are efficient and cost-effective and has the authority and responsibility to investigate workers' compensation fraud involving Postal Service employees. Such investigations help protect Postal Service funds by detecting, deterring, and reducing health care fraud.

Our objectives were to assess the Postal Service's administration of workers' compensation claims and identify opportunities to reduce these costs by implementing best practices. This report responds to a request from the Postal Service's vice president and controller.

WHAT THE OIG FOUND:

Postal Service management needs to improve their administration of workers' compensation claims. Management did not consistently determine staffing levels and has reduced the number of staff significantly since 2009. Additionally, some health and resource management personnel were used for collateral duties and nurses were not fully used in case management. Further, specific performance measures did not exist nor did personnel receive adequate training.

In the Western Area, we identified internal best practices to more effectively return employees to work, such as an automated work search system and a quick reference guide for case management. We also identified industry practices for an effective workers' compensation program, including using nurse case managers, partnering with non-profit organizations, and using predictive analytics. We determined the Postal Service can reduce the number of employees receiving workers' compensation and save more than $85.5 million annually.

The OIG uses predictive modeling to help identify high-risk workers' compensation claims. Predictive modeling data has allowed agents to bring investigations to a successful

resolution and has resulted in higher monetary impacts. Since October 2011, OIG investigators initiated 102 cases from predictive modeling data, resulting in $9.5 million in recoveries, restitutions, and workers' compensation payments avoided.

WHAT THE OIG RECOMMENDED:
We recommended management conduct a formal staffing analysis to include using contract nurses for case management, establish district performance measures based on cost reductions, and implement a nationwide work search system, along with district rehabilitation program committees. We also recommended management establish a standardized quick reference guide, provide automated reminders of key tasks, explore the return-to-work benefits of partnerships with non-profit organizations, and evaluate the use of predictive analytics.

Link to review the entire report