

## OWCP Response to Draft Report

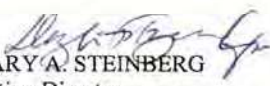
U.S. Department of Labor

Employment Standards Administration  
Office of Workers' Compensation Programs  
Washington, D.C. 20210

File Number:

MEMORANDUM FOR: ELIOT P. LEWIS  
Assistant Inspector General

FEB - 2 2012

FROM:   
GARY A. STEINBERG  
Acting Director  
Office of Workers' Compensation Programs

SUBJECT: FECA Durable Medical Equipment Payments Report

Thank you for the opportunity to comment on report number 03-12-002-04-431, in which your office reviewed to what extent the Division of Federal Employees' Compensation (DFEC) has adequate controls in place to ensure that Durable Medical Equipment (DME) payments are proper and reasonable.

Regarding the individual recommendations, OWCP responds as follows:

Recommendation #1: Direct that the procedures performed during the provider enrollment process be documented to ensure controls as to who performed the verification, when it was done, and what procedures were performed are supported.

Management Response: The Central Bill Pay (CBP) vendor already utilizes a process that documents their verification activity when enrolling a provider. Specifically, ACS documents all their calls for enrollment verifications via the CRN which is located in the SIR application.

Recommendation #2: Establish additional procedures to ensure CEs perform and document OWCP's requirement for an analysis of cost reasonableness when authorizing payments for items coded as E1399 – Miscellaneous, as well as any other item that is "paid as billed" and not subject to fee schedule limitations.

Management Response: OWCP agrees with audit recommendation that claims staff needs to review the Miscellaneous DME Code E-1399 request thoroughly for proper coding and cost reasonableness. Additional guidance will be provided to the claims staff to reinforce the existing DME procedures. However, there will not be any additional procedures established as the processes described in FECA PM 2-0810(17)(c) are adequate to address the concerns raised by the audit team. Specifically, that section of the procedure manual directs the claims staff to "advise the claimant in writing" of the approval. That written approval documents the cost reasonableness analysis that has been undertaken.

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The auditors noted that Manufacturer's Suggested Retail Price sheet and a narrative description of the product were not included, calling it a "best practice". However, this type of additional documentation is not a requirement for OWCP claims and will not serve to improve the required analysis for DME purchases. As such, OWCP will not add this additional requirement to existing procedures.

Recommendation #3: Direct CEs to perform and document a rental versus new purchase analysis for any rentals exceeding a certain time period and/or certain dollar threshold.

Management Response: OWCP agrees with the recommendation and will reinforce the current procedures with claims staff. In addition processes are being developed with the new CBP vendor that will also address the rental versus purchase issue. The processes used by the vendor will supplement the claims process and increase performance in this area. It is expected that the new process will be in place when the new bill processing contractor begins, which is currently slated for the end of 2012.

Recommendation #4: Examine controls over bills paid for catastrophic cases to identify additional controls needed to reduce the risk of improper payments and excessive costs without negatively impacting the beneficiaries of the FECA program.

Management Response: OWCP will agree to the recommendation to review our current controls over catastrophic cases. However, it is noted that there are currently less than 100 catastrophic cases in the system. These cases are only added by the District Director, are reviewed annually, and the bills in these cases are still subject to the duplicate edits and the OWCP Fee Schedule. Given the limited number of claims and the truly unique circumstances they represent, it is unlikely that further controls will be put in place.

Nonetheless, there will be enhancements made to the claimant eligibility records in 2012 that should reduce the need to classify some cases as "catastrophic". Specifically, the number of accepted conditions that can be stored in the claimant eligibility systems will be expanded, allowing many more specific diagnosis' in a given claim. Those cases that can have all of their specific diagnosis' enumerated in the system will then be treated like normal cases, and not need the "catastrophic" designation.

Recommendation #5: Initiate overpayment recovery procedures to recover the overpayments identified in this audit.

Management Response: As noted in previous responses, OWCP lacks the authority to attempt collection on perceived rental versus purchase overpayments that the auditors have identified. The services that have been paid were authorized by OWCP claims staff, and there is no authority to retroactively rescind these authorizations. Since they were

billed and paid as authorized, they are not overpayments and not subject to collection activity.