



Comptroller General  
of the United States

Washington, D.C. 20548

October 16, 1986

B-221498.35

The Honorable Chalmers P. Wylie  
House of Representatives

Dear Mr. Wylie:

By letter dated April 17, 1986, you requested that we provide our views on correspondence that you received from your constituent Dr. R.G. Rohner, Jr., regarding reductions in payments made by the Department of Labor for medical services furnished by his office to recipients of federal employee compensation benefits under the Federal Employees' Compensation Act (FECA). In order to comply with the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as Gramm-Rudman-Hollings), the Department reduced by 7.37 percent all payments made after March 1, 1986, to physicians and other providers of health care services, regardless of when services were provided. In his letter, Dr. Rohner acknowledges that payments for services rendered after March 1, 1986, are properly subject to reduction, but states the view that fees for services performed prior to that date should not have been reduced. As discussed below, we agree with the Department that reductions may also be made for services performed prior to March 1, 1986.

Under Gramm-Rudman-Hollings, governmental spending is to be reduced by uniform percentage reductions of the budgetary resources of all non-exempt accounts of the government.<sup>1/</sup> All governmental programs are subject to reduction unless covered by one of the many exemptions, exceptions, limitations, and special rules of the Act. In fiscal year 1986, all three agencies responsible for implementing the Act agreed that medical benefits under FECA were not covered by any of the specific exemptions of the Act, although certain other FECA benefits were exempt.

In addition to the specific exemptions, section 256(1) of the Act provides that "obligated balances" of all accounts are not to be reduced.

<sup>1/</sup> As originally enacted, reductions were to be made under an order issued by the President based on reductions specified in a report issued by the General Accounting Office. GAO's report was to be based on a report issued jointly by the Office of Management and Budget and the Congressional Budget Office. Those procedures were actually followed in fiscal year 1986. Because of the Supreme Court's decision in Bowsher v. Synar, 106 S.Ct. 3181 (1986), this Office no longer has a direct role in the deficit reduction process. The fiscal year 1986 reductions specified by this Office, however, were legislatively ratified by the Congress through Public Law 99-366 (July 31, 1986).

This exemption was intended to ensure that reductions required under the Act did not interfere with valid obligations entered into by federal agencies prior to the effective date of the President's sequestration order.

Dr. Rohner expresses the opinion that the Act was not intended to decrease the deficit by reducing spending that the government already owes. As indicated above, section 256(l) of the Act ensures exactly that. However, it is our view that the right of a medical provider to receive payment for services provided under FECA is limited by the terms of the medical provider's agreement with the Department of Labor. That agreement is established through the standard claim form issued by the Department (e.g., HCFA-1500 or OWCP-1500a), the submission of which is a prerequisite for payment to the medical provider. A standard clause in each form issued by the Department for the program states that the medical provider agrees to accept the government's charge determination on covered services as payment in full (and agrees not to seek reimbursement from the patient for any amounts not paid by the Department).<sup>2/</sup> We consider the Department's payment obligation to be limited by the terms of that clause, and to arise only when its charge determination has actually been made. Consequently, we agree that the Department has the authority to limit payments even in those cases where services have already been provided. Such services, in our view, do not constitute "obligated balances" exempt from reduction under the Act.

We hope this information has been of assistance to you.

Sincerely yours,

*Harvey D. Van Cleave*  
for Comptroller General  
of the United States

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<sup>2/</sup> We understand from discussions with officials at the Department of Labor that, prior to June, 1986 (when the Department of Labor issued a standard fee schedule), the government's reimbursement of costs under forms submitted under FECA was done on a case-by-case basis.