

122663

~~20577~~

BY THE U.S. GENERAL ACCOUNTING OFFICE

**Report To The Deputy Under Secretary For
Employment Standards, Department Of Labor**

**The Best FECA Practices Could
Raise Productivity If Implemented
At All FECA Offices**

GAO measured the productivity of all 15 Federal Employees' Compensation Act program district offices and found that some produced substantially more output per staff-year than others. Managers can improve the productivity of the poorer performing offices by identifying the best claims processing practices in use at various district offices and adopting them at all locations.



122663

122663
026986

GAO/AFMD-83-72
SEPTEMBER 27, 1983

Request for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760**

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are \$3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are \$1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

B-205981

The Honorable Robert B. Collyer
Deputy Under Secretary of Labor

Dear Mr. Collyer:

We are conducting a series of reviews to identify ways to improve productivity in Federal claims processing operations. This report addresses opportunities for improving productivity in processing Federal employees' disability and medical claims under the Federal Employees' Compensation Act (FECA) program which is administered by your Employment Standards Administration, Office of Workers' Compensation Programs (OWCP). Productivity improvement results from processing more claims with the same resources or the same quantity with fewer resources while at least maintaining existing timeliness and accuracy.

FECA managers can improve district offices' productivity by identifying the best claims processing practices in use at its various offices and instituting them at all of its 15 district offices. Also, opportunities exist to streamline some of the best processing practices and thus further increase productivity. Suggested improvements we identified, through discussion with staff of four district offices and our knowledge of other organizations' disability claims processing procedures, are listed in appendix I.

We measured the productivity of all 15 district offices and found that it varied widely. For example, the Jacksonville, Florida, office processes over 40 percent more claims and related actions per person than the Kansas City, Missouri, office. We analyzed in detail the operations of four offices to determine why productivity differed widely, and found that the offices use a variety of operating practices and staffing methods. Since many of these practices seem to account for part of the higher productivity at certain offices, we believe that lower performing offices could improve productivity by adopting the practices of the more efficient offices. If FECA managers identify and successfully adopt these best practices, they will be able to reduce case processing time. The saved staff hours could be used to reduce the large claim backlogs to acceptable in-process levels. After that, staff reductions may be possible.

Since our review identified a potential for improving working practices, we examined how FECA managers ensure that the district

offices operate efficiently. Although managers expressed a concern for more efficient operations, we found that they did not have a system for measuring and comparing district offices' productivity. Such a system would highlight low performing offices and would aid in ensuring that all offices use the best practices. Currently, OWCP is working on one major effort that, according to OWCP managers, could improve productivity--the Level II computer system. This system, which is intended mainly to improve timeliness and ensure consistent adjudication decisions, will use video display terminals to guide examiners in reviewing claims. OWCP managers expect examiners to follow this video guidance (the best practices) and improve their productivity as well as the timeliness and quality of their work. We found, however, that Level II will directly improve only the work of employees who work directly on claims, such as examiners (about 25 percent of the staff).

We conducted this review between April 1, 1982, and March 31, 1983, at four district offices: Jacksonville, Florida, Kansas City, Missouri, Dallas, Texas, and San Francisco, California. Details on the scope and methodology of our review are in enclosure II.

DIFFERENT OPERATING PRACTICES CAUSE
DIFFERENCES IN OFFICES' PRODUCTIVITY

Organizations performing similar functions and producing the same product should have similar productivity. Consequently, if organizations producing essentially the same timely, quality product have widely differing productivity, then examining the best performing organizations should result in identifying good practices that could improve poorer performers.

Although FECA management does not have productivity measures for comparing offices, we developed such measures. Calculation of productivity requires three pieces of information: workload (how much is completed), resources (staff time expended), and workload weighting factors (elements applied to adjust for the relative difficulty in processing the different workload units). We counted as workload units compensation claims by type, medical payments authorized, and periodic case recertification reviews.¹ OWCP had data on workload and resources; we developed weighting factors by using work sampling measurement at the four district offices. (See app. III for details.) By applying our productivity measures to

¹We did not count appeals, reconsiderations and hearings as workload units because they constituted a relatively small portion of the workload and could not be measured accurately during our study. The outputs we used account for over 80 percent of the FECA workload, in terms of staff usage. We believe that productivity measures which cover such a large portion of the workload are sufficiently accurate to indicate relative differences in the offices' productivity.

all 15 offices, we found that some offices processed over 60 percent more work per employee than others. The four offices we studied in detail varied by over 40 percent.

The following chart shows the productivity for the four offices we studied; productivity for all 15 offices is in appendix III.

	<u>Output</u> (weighted claims)	<u>Input</u> (FTE) ^a	<u>Productivity</u> (claims/FTE) ^a
Jacksonville	28,310	99	286
Dallas	14,125	53	267
San Francisco	29,383	133	221
Kansas City	5,652	28	202

^aFull-time-equivalent employee.

We also attempted to evaluate whether the organizations were achieving higher productivity at the expense of timeliness or quality, particularly by eliminating key steps. FECA has a system to report processing timeliness at each office and for the total program. Using this data, we found no evidence to indicate that timeliness and productivity were related. For example, among the offices we examined, one with high and one with low productivity exceeded FECA's average processing timeliness level. The need for concern about timeliness is particularly important because of significant criticism by the Congress and others about long delays in settling claims. A previous GAO report² pointed out that it took 129 days to process a traumatic injury claim--and such claims constituted a major portion of the workload--in 1980. Currently, FECA reports that it processes over 80 percent of these claims in 45 days each, and that backlogs are much lower than in the past few years.

We were not able to make the same evaluation for quality. FECA lacks a system to regularly report on quality on an office-by-office basis and we did not develop measures or test for quality. However, at the offices we examined, we did not find that steps used to ensure quality were missing.

Major reasons for productivity differences

Many factors can cause variations in productivity, such as different management, training, turnover, procedures, equipment, workload volume, and office layout. It was not cost effective for us to determine all of the causes of differences in productivity, but, we did note many differences among the four offices we studied which can significantly affect productivity. The major differences, which follow, were in the areas of idle time, extra support staff, and equipment availability and use.

²"Injury Compensation Process Delays Prompt Payment of Benefits to Federal Workers" (HRD-81-123, Sept. 25, 1981).

- Differences in the amount of nonproductive (idle) staff time were shown by our work sampling study at four offices. (Limited to four offices because of the cost.) In the San Francisco office, we observed employees spending 30 percent of their time nonproductively. In the more productive Jacksonville office, employees were nonproductive only 19 percent of their time.
- Differences existed in the relative number of support staff among the offices. Productivity is reduced when high levels of staff are assigned to indirect work such as support and supervisory jobs. For example, the Kansas City office assigned 14 percent more staff to this work than the other three offices, thus contributing to the office's low productivity.
- Differences in equipment availability were evident at the four offices reviewed. At two offices, all claims examiners had computer terminals for accessing files, and at the other two offices, terminals were shared by several people. The benefit of using a computer terminal to work claims without referring to the claims folders was demonstrated by one individual. The examiner prescreened the incoming mail he was assigned and had claims folders pulled only when definitely needed. By working as many claims as possible on the terminal, without referring to their folders, he processed all incoming work on 15 claims per day while other examiners processed all incoming work on only 3 or less. All examiners were primarily involved in examining and related work during our observation period.
- Differences were also evident in equipment use. For example, the computerized file inquiry system was effectively used for handling customer telephone inquiries at the Jacksonville office. This system was set up so that one person equipped with a video display terminal answered all claim inquiries. Using the terminal's access to computerized files, many inquiries could be handled immediately. At that office, a trained GS-5 handled each inquiry in 3 days or less, thus avoiding the troublesome and time-consuming customer inquiry problems of other offices' examining groups.
- As another example of differences in equipment use, examiners in the Kansas City office were not using the word processing system to produce standardized letters. We were told that they avoided this system capability because they found it difficult to use. (This problem was not encountered at other offices.) Instead, they wrote notes to a clerk-typist requesting the appropriate letters. The clerk-typist either obtained the letters from the word processing system or typed the letters manually.

POTENTIAL BENEFITS FROM IMPROVING
OPERATIONS WITH LOW PERFORMANCE

By implementing the best approaches and management controls being used at other offices, we believe that the lower performing offices could make valuable staff time available for addressing various priority issues. Thus, a number of alternative benefits could accrue, such as reduced backlogs, less overtime, improved quality, lower staff levels, and the capability to provide expanded services.

To determine the potential time savings in processing individual cases, we computed the amount of staff-hours actually needed by the lower performing offices if they were to increase productivity to the level of better performing offices. Since higher productivity means using fewer staff-hours for a given workload, the differences constitute a savings.

For example, San Francisco had a productivity rate of 221 claims/FTE. If San Francisco raised its productivity to the level achieved by Jacksonville--286 claims/FTE--it would save about 50,000 staff hours in processing its workload. Also, if all 13 offices which have productivity levels below 230 claims/FTE (or approximately the performance level of the Cleveland office) increased their productivity to 230 claims/FTE, they would save about 100,000 staff hours in processing the existing FECA workload.

Some of the best practices which promote higher productivity will cost money to initiate. The cost benefits of improvements, particularly those requiring new equipment, should be assessed on an office-by-office basis. However, many of the best practices can be initiated simply by changing procedures, thus making savings quickly.

To achieve such savings requires a systematic approach to improvement. Shifting staff from current activities to other priorities should coincide with or follow implementation of the better processing practices.

CURRENT IMPROVEMENT EFFORT SHOULD BE DEVELOPED
INTO A SYSTEMATIC IMPROVEMENT PROGRAM

A critical part of improving productivity and reducing costs is the systematic identification of potential improvements. Although FECA managers described to us generalized improvement plans for the FECA program, and have made productivity improvements in the past, they do not, in our opinion, have an approach that will ensure systematic improvement in the future. We looked for certain key elements of systematic improvement efforts such as planning specifically directed at productivity, idea generation, measurement, and interoffice communication networks. FECA has a suggestion program that is little used as well one major productivity project that we believe will achieve very limited improvement.

The major project addressing productivity, along with timeliness and quality, is the Level II automatic data processing system. According to OWCP managers, the Level II system will standardize the work of claims examiners by requiring them to follow processing steps as communicated through a video display terminal. These managers acknowledge that examiners are currently handling claims in a variety of ways, and that standardizing practices could improve productivity, quality, and timeliness. The majority of the Level II capabilities are directed toward improving the work of claims examiners and bill payers. In fact, our work sampling study of the claims processing function revealed that less than 25 percent of the district offices' total staff time is spent on adjudicating specific claims or examining and authorizing bills for payment of medical expenses.

A particularly useful approach to systematically identifying improvements is to first measure productivity and identify which of FECA's 15 districts are performing well and which are not. Since FECA offices perform similar functions and provide the same service at all locations, they all should have similar productivity. Consequently, if district offices have widely differing performances, then (1) the measured performance of the best offices should be useful in identifying the potential performance of all offices, and (2) poorer performing offices could be targeted for review. Further, the most efficient operating approaches should be considered for all offices.

CONCLUSIONS AND RECOMMENDATIONS

We believe that FECA can improve the number of claims processed per staff-year by actions such as buying and using equipment and making staffing changes. More importantly, however, we believe that FECA should systematically target areas where it can make significant gains. A critical starting point in such a systematic effort is a system of measures which provides FECA managers a clear picture of each offices' performance in terms of productivity, timeliness, and quality. Now, only timeliness is reported consistently.

We recommend that you ask the Director, Office of Workers' Compensation Programs to:

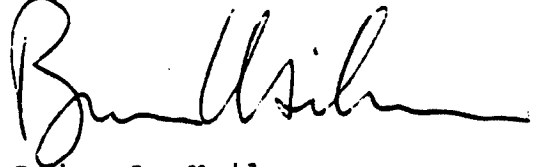
- Act to improve productivity by
 - o identifying the best operating practices and implementing them at all offices and
 - o Looking for ways to improve even the current best practices.
- Use the actions we identified (see app. I) as a starting point for improvement efforts.

--Develop productivity and quality measures and goals, and use them in conjunction with timeliness measures for tracking performance at district offices', and identifying action managers should take.

We discussed our findings with your staff, and considered their comments when writing this report. We would appreciate your informing us of the actions you plan regarding our recommendations.

We are sending copies of this report to the Department of Labor's Inspector General.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Brian L. Usilaner".

Brian L. Usilaner
Associate Director

Enclosures

CLAIMS PROCESSING IMPROVEMENTS CANIMPROVE PRODUCTIVITY

This appendix offers some ideas for processing claims more efficiently. Some of these ideas are used at the district offices we visited. Although some offices we did not visit may already be using some of them, we found in discussions with managers in district offices we visited that they were often unaware of practices used in other district offices.

Others of these ideas were the outcome of our study. We did not see them in use, but believe they could improve processing at FECA district offices. Also included are selected ideas and thoughts of the field adjudication staff which they did not attempt to implement because they constitute major changes to procedures--changes which the district offices have no authority to make.

Except for the first three suggestions, time savings have not been attached to the individual changes suggested because assessing them would have been too time consuming for the scope of this study. Although some changes appear minor, a few minutes saved per claim at a district office which processes thousands of claims annually translates into significant savings.

These potential improvements are presented as a group of suggestions, not formal GAO recommendations. The letter to the Deputy Under Secretary does recommend, however, that these suggestions be considered.

1. Sample claims requiring certification

Reviewing claims on a sample basis could save both calendar and hands-on time and free unit chiefs and some senior claims examiners to perform other management and processing functions. FECA has approximately 47 unit chiefs and several senior claims examiners who authorize (review and approve subordinates' decisions) all monetary award actions and initial medical bills.

Most of the claims processed during FY 1982 were reviewed and approved by a unit chief or a senior claims examiner to decrease inappropriate decisions and the error rate for payments.

At the district offices we visited, the unit chiefs told us they spend approximately 40 percent of their time reviewing and approving decisions of claims examiners. Personnel records show that many of these claims examiners are experienced individuals who have been in their positions 4 or more years. For example, a unit chief at one district office said that in reviewing a day's work for five GS-11 claims examiners, only one error was found.

Private industry and agencies such as the Department of Defense have long recognized that even examining 100 percent of any items processed does not guarantee a 100-percent-perfect product. In fact, total inspection often can result in increased quality

problems as employees take the attitude that quality work is unnecessary because their errors will be caught and corrected. Consequently, any review system should be examined to determine what level of review actually is needed to maintain desirable quality.

Based on statistical sampling principles, if such review and approval of decisions were done on a sample basis, much time could be saved with no compromise of quality. Further, if a quality reporting system is developed, district offices could be given the flexibility to authorize claims commensurate with either an individual's quality record or experience.

To portray potential benefits, we have estimated the potential labor that could be saved by reducing unit chief review:

<u>No. of claims reviewed</u>	<u>Percentage of total claims reviewed</u>	<u>No. of unit chiefs required</u>	<u>Staff-hours savings</u>
180,667	100	47	-
135,500	75	35	22,000
90,333	50	24	43,000

2. Screen incoming mail to minimize folder pulling and handling

Identifying incoming mail that can be processed without claims files reduces calendar as well as hands-on time because pulling and handling of files can be eliminated in these cases. About 2.4 million pieces of mail were received at the district offices during fiscal 1982. Labor's instructions require that the claim file be pulled and mail attached for each piece of incoming mail.

We found, with one exception, that the file was pulled for each piece of incoming mail at the district offices visited. However, claims examiners told us that they could handle many pieces of mail appropriately without the claims files if they were permitted to. In a test, we determined that 26 of 48 pieces of mail received by a claims examiner on a particular day could be worked without the file (17 pieces required no action, and the file was pulled for 9 pieces in order to manually annotate the history card with information which was also available in the computerized system). In another test, we randomly selected 14 invoices, and a bill pay clerk determined that 10 of these could be worked without the file.

Working as much mail as possible without the folders, and screening to identify such mail, are basic concepts we found being used in other agencies' claims processing systems. Labor's instructions should include procedures implementing these concepts, and the requirements should be emphasized in FECA's annual accountability reviews.

To obtain an idea of potential savings from pulling only necessary folders, we made estimates at various levels of processing. We did not determine the actual percentage of claims that could be worked without folders or how many are being worked this way FECA-wide. The savings are based on FECA records which indicated that the 15 activities pulled files for 2.4 million case actions in fiscal 1982.

<u>Case actions</u>	<u>Case actions without the claim folder</u>	<u>Staff-hours savings</u>
2,398,387	1,199,194 or 50% of case actions	65,000
	959,354 or 40% of case actions	52,000
	719,516 or 30% of case actions	39,000

Some portion of the file clerks' time will still be required for filing the correspondence, so the full savings will actually be somewhat less than the above figures.

3. Eliminate benefit payroll clerks position

By allowing claims examiners to input award data directly into the Automated Compensation Payment System, Labor could eliminate the need for benefit payroll clerks at most district offices. The system, implemented in 1981, automated the computation of payments which previously was the majority of a benefit payroll clerk's workload. With the advent of the system, clerks' workload consists primarily of inputting award information in the system based on handwritten forms from claims examiners. We were told that prior to the automated system, it took a clerk about 45 minutes to compute one award; with the system it takes about 3 minutes to enter the data and verify the results.

At the offices we visited, we found that claims examiners still manually prepared input documents with award information, which were then routed to a benefit payroll clerk who entered the data in the computerized system which calculated the payment. These additional steps could be reduced if claims examiners entered the award data directly in the system, thus eliminating the writing of the forms and transferring the forms to the clerk. The examiners could easily enter the data in the system from their terminals in the same time now used to hand write the form. Further, such a change would not eliminate needed internal controls, since internal control of the process through separation of duties is achieved by other means. Currently, the individual who establishes the claim in the system is not the individual who adjudicates the claim.

To obtain an idea of potential savings from eliminating benefit payroll clerk positions, we made estimates based on data from eight district offices. If the eight offices eliminated their 36

benefit payroll clerk positions, FECA would save at least 67,000 staff-hours annually. And other savings may result from substituting a direct computer input step for manual document preparation by the examiners.

4. Use clerks to assemble claims documentation

Using clerks to obtain and assemble supporting documentation needed to adjudicate new cases would reduce staffing costs and save examiners time. New cases often require additional information because claimants do not submit all necessary documents. The district offices processed 177,673 new cases, representing about 85 percent of their workload, during fiscal 1982.

Other claims operations we have studied seek to maximize the claims examiners' time for making important adjudication decisions. One way is to train other individuals to handle clerical or semi-clerical tasks. For example, the Veterans Administration which processes disability claims, established development clerk positions with the responsibility for obtaining and assembling documentation needed to adjudicate claims. This has resulted in significantly lower personnel costs and more time for examiners to adjudicate.

We recognize that OWCP will need to consider carefully the feasibility of this suggestion and the type of training a special clerk would require, particularly in light of new efforts toward better cost control, for example, early medical management of cases.

However, the feasibility of using clerks to develop claims was demonstrated at two of the district offices we visited. One office used clerks to develop all of the 6,300 new claims received during the year. In another office, one of six claims units used a clerk to develop new claims. This happened in this unit because the clerk had requested and received training to do development work.

5. Using a senior official's name on correspondence would improve workflow

Using a senior official's name on outgoing correspondence would provide a smoother workflow and save examiners time. Labor's instructions provide that letters are to be signed by supervisory personnel. However, we found that claims examiners sign most of the thousands of letters district offices send to claimants and their representatives.

We found that correspondence is usually typed from hand written copy prepared by an examiner. After typing, it is returned to the examiner for signature. Also, correspondence produced by the word processing system is routed to the examiner for signature. Examiners told us that they spend about 2 hours weekly reviewing and signing correspondence, and that much of this consists of standardized letters.

Other claims processing organizations we have studied told us that using employees' names on correspondence disrupts workflow and adds to time to process claims. This happens because subsequent to sending letters to claimants, employees must often handle telephone inquiries and talk to walk-in claimants who ask for them by name. These organizations avoid this problem by using a senior official's name and signature stamp. Automated correspondence is seldom signed at all.

Using a senior official's name and signature stamp on outgoing correspondence would improve FECA workflow and save 22,464 hours annually at the 15 district offices.

6. Provide a continuing training program to reduce employee errors

Providing a continuing training program should improve employee performance by reducing errors and facilitating day-to-day decision-making. Labor's present program provides that new claims examiners receive 7 days of classroom training during their first 6 weeks and 10 days of advanced classroom training after 12 months. This program is structured to teach adjudication techniques to new hires and does not provide ongoing training for maintaining competence.

We found very little classroom training at the offices visited. One office held 1-hour question-and-answer sessions each month for claims examiners, and the other offices rarely had any kind of classroom training. Many examiners expressed the need for and believed that their performance could benefit from proper training. Some examiners believed that with proper training for examiners, many cases now appealed to the national office could be resolved at the district office. For example, an experienced examiner said that he made the wrong decision on a case because he did not know whether definitions in the Federal Employees' Compensation Act or Federal Register should take precedence.

Labor's accountability reviews have consistently pointed out the need for proper training. Other claims processing organizations we have studied consider ongoing structured training critical to achieving acceptable quality levels. For example, one agency provides an indepth classroom study supplemented with training on new issues, circulars, manual or procedural changes, and areas requiring special or additional instruction.

Because training is a necessity for learning the job and maintaining competence, we feel that the national office should provide ongoing training for claims examiners, bill payers, and contact representatives. Although headquarters officials pointed out they now have an ongoing training program consisting of 15 training modules, we believe they need to ensure that all field examiners are benefiting from the training.

7. Weighing or measuring incoming mail could save time

Weighing or measuring incoming mail at the district offices could save time which could be used to perform other duties. Most of the 2.4 million pieces of mail that FECA records show were received in the district offices during FY 1982 were hand counted by mail and file clerks. The national office had prescribed a standard way for counting incoming mail, but we found it was not being used.

We observed two different methods of counting incoming mail at the offices visited. Three offices hand or machine opened each envelope, then counted each piece. The other office separated mail into machine-opened and hand-opened groups, counted each piece, then multiplied the count by a factor which substantially overstated the actual mail received. This office had far more employees assigned to handle mail than did another office having similar workload and staffing. Also, this office had established a night shift to process mail because claims examiners did not want mail attached to case files during their workday. The other offices visited had not established a night shift.

Officials in other agencies and companies processing claims told us that it was both expensive and unnecessary to count each piece of mail received and that they had not done so for several years. Several mentioned that they weigh incoming mail and multiply the result by an appropriate factor to obtain workload data. Another Federal agency uses linear measurement and converts this to number of pieces.

Providing a uniform, up-to-date system for counting incoming mail could save time and provide top managers with comparable workload data for all district offices. More importantly, the time saved could be used to screen incoming mail or for some other task critical to the claims process.

8. Use trained contact representatives and improved procedures for handling telephone inquiries

Using trained personnel and improved procedures for handling telephone inquiries could reduce costs and provide more time for claims examiners to perform their other duties. FECA instructions require that telephone inquiries be handled by the contact representative or the correspondence unit. If an answer cannot be provided by these representatives, then a written record of the inquiry is to be referred to the claims unit for response.

Telephone inquiries were handled differently at each district office visited. Two offices used contact representatives to handle inquiries. At the other two offices, examiners handled telephone inquiries. One office assigned two examiners to work the entire week and the other office assigned examiners on a daily, rotating basis. The claims examiners (GS-11/12) at one office spent 80 hours, while those at the other office spent 40 hours per week answering telephone inquiries. Of the two offices using contact

representatives, one was not using efficient procedures. Representatives disrupted the process and wasted time by putting callers on hold while they went to locate the callers' files. If a file couldn't be located or a question resolved, then the call was often routed to a claims examiner. Claims examiners in this office were also interrupted by direct calls from claimants.

At the other district office, a trained GS-5 contact representative handled telephone inquiries without interrupting claims examiners or creating additional correspondence for them to handle. Accessing information in the automated system, she answered 40 percent of the inquiries without a case file and had a record of replying to each telephone inquiry within 3 days.

Handling telephone inquiries efficiently is critical because where it is not done properly, additional work is created, time consumed, and cost incurred. Using properly trained contact representatives, who have access to the automated system, coupled with procedures maximizing examiners' time to work claims will improve workflow and reduce costs.

9. Maximize the use of word processing and other modern written communication techniques

Making maximum use of existing word processing and dictating equipment could provide a smoother workflow and save examiners time. We found that claims examiners spent several hours daily hand writing correspondence which was sent to a clerk typist for typing. We also found that existing word processing equipment was not being fully utilized at some offices. Both of these conditions take away from examiners' adjudication time.

Labor implemented a word processing system in 1982 which was intended to automate the typing of most correspondence by allowing the selection of standard letters and paragraphs. In one district office we visited, claims examiners did not use the system because it released inappropriate letters and they were unable to correct the program locally. Another district office had corrected programming problems and was using the system to generate some correspondence.

Using word processing and other timesaving communication equipment could provide a smoother workflow and save examiners time. The national office should provide leadership and initiative in obtaining usable word processing equipment and also should issue instructions which require maximum use of timesaving written communication techniques.

OBJECTIVES, SCOPE, AND METHODOLOGY

This review, which was made between April 1, 1982, and March 31, 1983, included reviews of the Federal Employees' Compensation Act program at four Department of Labor districts and at the headquarters, Office of Workers' Compensation Programs within Labor's Employment Standards Administration. The FECA program is conducted primarily at 15 field units.

Our review was conducted at the FECA field units (district offices) at Dallas, Texas; Jacksonville, Florida; Kansas City, Missouri; and San Francisco, California. We selected these offices based on a preliminary survey and discussions with headquarters officials, and with the intent of obtaining a mix of size, geographical locations, and productivity performance levels. Since FECA does not have productivity measures, headquarters officials estimated well and poor performing offices for us.

The FECA offices process claims for Federal employee benefits arising from on-the-job injuries. Claims are submitted for lost-time and no-lost-time occurrences, and for medical payments.

The objective of this review was to identify the opportunities for higher productivity and lower costs in FECA's claims processing activity. Our general methodology involved two steps--analyzing why some FECA claims operations had higher productivity than others and analyzing the general process to identify unnecessary steps and best practices.

To determine why the productivity of various offices differed, we performed the following analyses.

1. A processing system analysis at each location, where we reviewed:

--process flow	--staffing	--performance standards
--equipment	--workload	--training
--procedures	--backlog	--files
--management	--overtime	--organization
--productivity	--quality	--timeliness

2. To determine unnecessary steps and find potentially better techniques, we

--examined the need for each step in the process and

--visited non-FECA operations, including private sector insurance firms, to learn about other claims processing techniques.

At the four FECA offices visited, we interviewed officials to learn about policies and procedures for processing claims, and we interviewed staff to determine workflow from the time the claims were received at FECA until they were settled.

We discussed policies, procedures, and management control matters with officials at all locations. We also developed productivity and efficiency data as it related to claims processing and gathered information about each district office's organization, management, automation, measurement systems, and quality control techniques.

The productivity measures used for comparing district office performances were developed by (1) performing a work measurement study (work sampling) to determine the relative amounts of staff time for the major output products and (2) using the staff time per output product to develop weighted output product measures. The work measurement study was conducted using generally accepted industrial engineering practices.

We conducted this review in accordance with generally accepted government auditing standards.

DEVELOPING PRODUCTIVITY MEASURES ANDIDENTIFYING OFFICES WHICH NEED MANAGEMENT ATTENTION

As we discussed earlier, productivity can be improved by streamlining the process and making accompanying or subsequent reductions in the staff time needed to process claims. FECA and OWCP managers need, however, to provide the attention and commitment necessary to improve the operations by reducing nonproductive time and eliminating unnecessary processing steps. (Nonproductive time includes time spent on activities such as coffee breaks, personal time, and in one case, sleeping.) Potential savings through such an approach can be estimated if productivity levels for all offices are known.

Although the Employment Standards Administration does not have productivity measures for the FECA program, we developed such measures. By applying our productivity measures to all 15 offices we found that some offices processed over 60 percent more work per employee than others. The following chart shows fiscal year 1982 productivity¹ for the four offices we studied.

	<u>Output</u> (<u>weighted claims</u>)	<u>Input</u> (<u>FTE</u>)	<u>Productivity</u> (<u>claims/FTE</u>)
Jacksonville	28,310	99	286
Dallas	14,125	53	267
San Francisco	29,383	133	221
Kansas City	5,652	28	202

Achievable goals can be established in a number of ways. Within FECA which has a number of locations performing the same operations, a productivity goal or standard of performance could be established in one of the following ways:

- Use the best performing locations as standards of performance. With such criteria, the expected level of productivity would be about 286 claims per FTE.
- Use the average location performance as a standard. This approach is logical if the productivity among relatively similar operations varies widely. Using this criterion, the expected level would be about 216 claims per FTE.

¹Productivity is measured in terms of units of output produced per unit of resource consumed (claims produced per staff-year). For FECA, we counted as outputs medical payments authorized, various types of claims, and periodic case recertification reviews. The outputs we used account for over 80 percent of the FECA workload, in terms of staff usage. All outputs are given weights so that those which take more time to process are counted more heavily. Staff-years are expressed in terms of full-time-equivalent employees.

--Use a combination of the first two methods. This approach might entail using the average, which would increase annually until all offices were performing within a narrow, acceptable band of productivity.

HOW POTENTIAL SAVINGS ARE DEVELOPED

Once productivity goals have been established, potential savings can be determined office-by-office. For example, an office may currently have 100 employees, be producing a given workload, and have a productivity level of 200 claims per FTE. The question, then, is: How many employees are required if they achieve a minimum goal of 229 claims per FTE?

To determine this, the total workload must first be established. One of the problems in determining workload is that some claims (and other outputs such as bills paid) require more effort to process than others. Consequently, the simple counting of claims and bills will give an inaccurate representation of total workload. Claims requiring more than the average effort need to be counted more heavily.

The work measurement study we performed on the FECA program provides estimates of the relative amounts of time (weights) required to process the various types of major claims. Hence this information provides the ability to estimate the total weighted workload at each office.

By work sampling, we were able to determine the amount of time spent by claims examiners and bill payers on direct work--examining specific claims or paying specific bills--as opposed to time they spent doing general administrative work or miscellaneous work. The table on the next page shows the percentage of time spent on various tasks by all employees in the four district offices we examined.

	<u>Percentage of time</u>
Direct work	
--Examining, processing, and adjudicating specific claims	12
--Paying specific bills	11
Indirect work	
--Miscellaneous productive work by examiners and bill payers	9
Support work	
--Mail	6
--Typing	5
--Data entry	5
--Training	2
--Miscellaneous support	21
Nonproductive time (such as coffee breaks)	23
Employees not located by analysts	<u>6</u>
Total	100

We further broke down the amount of examining time by the major types of claims--traumatic, no lost time; traumatic, lost time; and nontraumatic--along with the time spent on periodic role reviews. By dividing the hours spent on, say traumatic, lost time claims, by the number of such claims completed during our sampling study, we determined the examining time (in hours) per traumatic, lost time claim.

The examination time per each type of claim was then used as the weight to be given that type of claim, relative to other claims types. The relative weights used are:

Traumatic, no lost time	0.07
Traumatic, lost time	0.49
Nontraumatic	0.74
Periodic roll reviews	0.55
Bill payments	0.14

In our study we developed separate weights for continuing compensation claims, both traumatic and nontraumatic types. However, in attempting to use these weights to compute productivity we learned of difficulties in obtaining adequate workload data on these types of claims. The lack of workload data on continuing compensation claims would normally have caused the total workload for each office to be slightly understated in the productivity computations (although the lack of this one piece of workload data would not necessarily affect the relative productivity levels between offices and thus would not negate making comparisons). However, we made adjustments to improve our precision by combining regular traumatic, lost time and nontraumatic claims with the equivalent continuing compensation claims. The weights used reflect that adjustment.

Hence this information provides the ability to estimate the total weighted workload at each office. Using this information we were able to compute the staff needed at each office in fiscal year 1982 for various productivity levels. The following chart demonstrates potential savings by office, at various productivity levels.

<u>District office</u>	<u>Fiscal year 1982</u>			<u>Staff-years required at various productivity levels</u>			
	<u>Weighted workload</u>	<u>Productivity</u>	<u>Staff-years</u>	<u>272</u>	<u>257</u>	<u>243</u>	<u>229</u>
	Jacksonville, Fla.	28,310	286	99	99	99	99
Dallas, Tex.	14,125	267	53	52	53	53	53
Cleveland, Ohio	13,483	224	60	50	52	55	59
San Francisco, Calif.	29,383.	221	133	108	114	121	128
Seattle, Wash.	9,745	212	46	36	38	40	43
Chicago, Ill.	9,523	212	45	35	37	39	42
Philadelphia, Pa.	10,488	210	50	39	41	43	46
New York, N.Y.	20,332	210	97	75	79	84	89
Washington, D.C.	17,572	209	84	65	68	72	77
Atlanta, Ga.	4,773	208	23	18	19	20	21
Honolulu, Hawaii	2,864	205	11	11	11	11	11
Denver, Colo.	6,474	202	32	24	25	27	28
Kansas City, Mo.	5,652	202	28	21	22	23	25
Boston, Mass.	11,467	198	58	42	45	47	50
New Orleans, La.	3,381	178	<u>19</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>
Total staff-year requirements			838	687	716	748	786
-----				-----			
Total staff-hours made available by productivity improvement (in thousands)				281 ^a	227	168	97

^aStaff-years made available (saved) have been converted to staff-hours by using a factor of 1862 staff-hours available per staff-year. This factor takes into consideration reduced availability through sick and annual leave, as currently experienced by FECA.

(910341)

26577

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS