Written Testimony

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Subcommittee on Workforce Protections

for the Hearing

Strengthening Federal Workers' Compensation Programs:

Ensuring Integrity, Efficiency, and Access

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Chairman Mackenzie, Ranking Member Omar and Members of the Subcommittee, thank you for inviting me to participate in today's hearing and thank you for your attention to a topic that has been a focus of my professional career.

My name is Robert Johnson. I am President of Sedgwick Government Solutions where I am now leading our efforts to serve and support federal insurance claims management programs. I have spent 35 years at Sedgwick, the world leader in workers' compensation and managed care.

The Federal Challenges We're Addressing

The Federal Employees Compensation Act (FECA) has not been meaningfully updated since the 1970s, yet it now pays over $3 Billion annually and supports 173,000 beneficiaries[1], many of whom receive benefits for decades. The Government Accountability Office (GAO) and Congress are asking whether the program protects taxpayers from waste, fraud, and improper payments; produces return-to-work outcomes comparable to state systems; and uses defensible, auditable methods to calculate and sustain benefits.

Modern claims management techniques can effectively operationalize oversight expectations articulated by GAO and Congress. Using technology and FECA improvements can embed early intervention, consistency, and integrity directly into claim workflows— where risk actually occurs.

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[1] DEP'T OF LAB.,OFF. OF WORKERS' COMPENSATION PROGRAMS, FECA CLAIMS ADMINISTRATION, https://www.dol.gov/agencies/owcp/FECA/about.

The federal workers compensation system and the Office of Workers' Compensation Programs (OWCP) can benefit from 3 principal modernization areas, which could work with FECA changes to improve outcomes for injured workers and financial results for agencies and taxpayers. An updated claims and medical management system is needed to take advantage of innovations in the use of historical data to predict future outcomes, artificial intelligence protocols to aid claims examiners in efficiently managing injured worker benefits and return-to-work, and current technology for communication with injured workers and their employing agencies.

Use of Data and Predictive Analytics

Program integrity and fraud prevention is a high priority in any government-funded program. GAO has explicitly asked whether OWCP follows leading fraud risk management practices. Modern fraud, waste, and abuse techniques consist of data mining to flag anomalous claims early using standardized criteria. Claim managers integrate external and internal data signals to identify overlap, underreporting, and inconsistencies. Risk-appropriate cases are routed to investigation without disrupting legitimate claims. The outcome for the government is fewer improper payments, earlier detection instead of post-payment recovery, improved outcomes, and clear alignment with GAO's Fraud Risk Framework.

A modern fraud prevention program includes a formalized special investigation unit (SIU) designed to support an integrated approach for the identification, investigation, mitigation and reporting of fraud. An advanced model provides streamlined processes for referral of services and billing, claim scoring technology for red flag detection, enhanced claim investigation techniques, regulatory compliance, training, and vendor management with quality assurance oversight creating impact and cost savings.

An SIU should maximize innovative technology, market-leading data and robust training to continually adapt and advance products and services in line with trending techniques, regulations and best practices. Key features of an integrated SIU model include:

- **State-of-the-art scoring technology**: Utilize state-of-the-art scoring technology to identify and document red flags that may require further investigation.

- **Referral automation**: A modern referral system improves accuracy and drives efficiency by populating referral details through the claims management system.

- **Proprietary case management system**: A robust case management system enables real-time capture and tracking of claim and investigation details, key red flags based on industry standards and guidelines, quality and performance metrics and state reporting statistics.

- **Enhanced claim investigation process**: Claims managers leverage artificial intelligence, open source data, image forensics, smart cameras, advanced video technology and virtual platforms to enhance their efforts.

A successful program should conduct smart, impactful and fully compliant investigations by delivering accurate information through technology-driven identification, intelligence gathering, field observations and documentation, and comprehensive data analysis. Investigations may include:

- **Research investigations**: These include social media investigations, comprehensive background checks, canvass (medical or facility), records request, skip trace, criminal, civil and asset checks and extensive database mining.

- **Field investigations**: Surveillance techniques include traditional mobile, on-site stationary devices with remote monitoring, AOE (arising out of employment)/COE (course of employment), recorded statements and activity and wellness checks.

- **Complex investigations**: Enhanced support for complicated fraud schemes and ring activity may involve individuals, medical providers, supply vendors and attorneys. These investigative services include collaborating with medical and legal professionals, forensic analysts and other experts.

The most advanced claims management organizations will utilize data mining to identify potential fraud, waste and abuse within medical provider circles as well. Analyzing data for patterns of over-utilization of services, over-prescribing of medications, and excessive billing are always issues to be vigilant around. In addition, recent trends have shown techniques used by providers to require excessively high or inappropriate durable medical equipment requisitions and referring to pharmacies that are out of the state where the injured worker resides, often to a compounding pharmacy where a very expensive medication is procured. There must also be constant monitoring for prosecution and investigation announcements by the Centers for Medicare and Medicaid Services (CMS) against potential suspect medical providers. All of the aforementioned techniques often result in immediate suspension of the provider within a treatment network and ultimately produce referrals to state investigative agencies for review.

Other uses of data mining and artificial intelligence include early severity identification and return-to-work focus, which is another key to addressing Congress' questioning of long-duration and lifetime disability trajectories under FECA. Modern data analysis to create severity models will help predict high cost, long-duration-claims within the first 30–90 days. This enables the distinguishment of claims needing sustained support from those suitable for early return-to-work based on objective and widely accepted industry and clinical guidelines.

The outcome for the government is targeted intervention instead of one-size-fits-all case management. This produces measurable improvement in return-to-work outcomes and a structure comparable to leading state workers' compensation systems.

The use of advanced machine learning and predictive modeling tools to improve claim outcomes, reduce costs and guide early intervention strategies is a must in the modern claims arena. Analytics models used by the largest claims management organizations draw from a data warehouse of millions of claims and billions of records, enabling deep insights into trends, cost drivers and program performance. Deploying predictive models across key services includes telephonic nurse case management, provider benchmarking, fraud detection, and large loss and litigation risk identification. Using prediction models has shown in studies to produce great accuracy of gauging ultimate value and reduction of 69% in over-reserving on medical-only claims by examiners. [2]

These models run continuously and flag claims that may escalate, require legal involvement or benefit from early intervention. Decision optimization tools use environmental and claim-specific data to guide actions that improve return-to-work outcomes and ensure high-quality care. Real-time system flags, reports and claim notes prompt timely action. Customizable program scorecards track performance and identify improvement areas. Peer benchmarking allows for comparison and identification of areas needing improvement.

Innovation and decision optimization teams continuously enhance these tools, applying AI and machine learning to support claims representatives in managing complex claims more effectively. In 2026, enhanced fraud detection will be a feature of AI solutions. The AI tools will better identify potentially fraudulent workers' compensation claims to protect a program and help contain costs.

Payment Accuracy & Financial Governance

GAO is scrutinizing how FECA benefits are calculated, adjusted, and sustained over time. Modern claims managers use objective models to set and update automated medical-only reserves, reduce variability caused by manual discretion, and create consistent and auditable financial signals across the program.

The outcome for government is improved payment integrity, stronger audit defensibility, and better forecasting of long term program liabilities.

Increasing the technology available in the federal workers' compensation arena would mean maximization of the use of application programming interfaces (API) in order to

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[2] Sedgwick Claims Management Services Book of Business Research Study

exchange data in real time with multitudes of relevant sources and organizations key to the effective management of claims. Such exchanges of data should occur between the Social Security Administration (SSA) and Office of Personnel Management (OPM), as examples. Efficient reconciliations to ensure that a federal injured worker is not erroneously receiving dual benefits from multiple federal sources or alternating between benefits is very important to address potential waste. Our understanding is that today those records are exchanged on a manual basis which is ripe for inconsistency. We do note there may be changes needed in the FECA rules to allow for such exchange of data on a need-to-know basis.

Faster, Appropriate Medical Routing

Congress is evaluating reforms that emphasize early care decisions and functional recovery. Early triage utilizing predictive models guides claims to the right level of care with the most clinically appropriate provider type at the outset. These models also reduce unnecessary escalation and prolonged treatment paths.

The outcome for government is shorter claim duration, faster functional recovery, and improved injured worker experience without increased cost.

Medical Outcome Consistency

GAO is comparing FECA outcomes to state workers' compensation programs. Modernizing the analysis of data and AI would allow medical provider scores to identify providers associated with better outcomes and shorter disability durations. This would reduce unwarranted variation in care.

The outcome for government would be more predictable medical results, evidence-based provider suggestion or selection (dependent on FECA changes for direction of medical care), and alignment with private sector best practices.

Medical and rehabilitative spending under FECA approaches $885 million annually[3] yet lacks basic cost controls common elsewhere. Reform exploration could include enhanced preferred provider networks, fee schedules aligned with Medicare and state workers' compensation benchmarks, adoption of evidence-based treatment guidelines, and expansion of the statutory definition of "physician" to include nurse practitioners and physician assistants.

Industry-leading claims management organizations will evaluate providers relative to claims outcomes each month in a proprietary provider benchmarking system based on

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[3] DEP'T OF LAB.,OFF. OF WORKERS' COMPENSATION PROGRAMS, FECA CLAIMS ADMINISTRATION, https://www.dol.gov/agencies/owcp/FECA/about.

data from their workers' compensation claim population. Provider benchmarking allows continuous assessment of the performance of workers' compensation healthcare providers so that claims examiners can find providers who understand the workers' compensation treatment philosophy and have quality outcomes. In modern claims management programs, third-party administrators (TPAs) use the tool to provide medical cards for injured workers and panel cards listing the closest top-quality providers. Engagement with providers with preferred outcomes has shown to reduce medical costs by up to 54% on claims greater than $50,000 in ultimate value and to reduce duration by up to 58% on similar sets of claims.[4]

Benchmarking systems are built using a combination of two models: Expected Outcomes and Standard of Care. These models measure claims outcomes and care patterns across comparable providers and injuries to assign a score. Provider scores are based on objective outcomes, including:

- Duration — measuring the average length of claims linked to a provider
- Costs — measuring the average claims costs (using medical, indemnity and expense)
- Disability — measuring the average temporary total disability (TTD) of claims
- Care Quality — measuring the types of care provided based on injury type.
- Access to Care – measuring provider scheduling availability and reliability

Provider scores are seamlessly integrated into ranking order in a provider search tool to allow users to easily identify the best available providers.

Provider credentialing is critical and should include verification of the following:

- Current unrestricted license to practice medicine in the state for which the services are contracted
- Graduation from medical school and completion of a residency program and/or American Board of Medical Specialties (ABMS) or Board of Specialties (BOS) Certification
- Valid DEA (Drug Enforcement Administration) and CDS (Controlled Dangerous Substances) certificate (if required by state of issuance)
- Current, adequate malpractice insurance
- Professional liability claims history for the past five years (or as required by state of license issuance)
- History of loss of license and/or felony convictions

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[4] Sedgwick Claims Management Services Book of Business Research Study

- Clinical privileges in good standing at the hospital/ambulatory surgical center designated by the practitioner as a primary admitting facility
- History of loss or limitations of privileges or disciplinary activity

A network's selection criteria may vary, but, generally, they are based on the provider's ability to meet the following guidelines:

- Clinical experience treating occupational injuries
- Willingness to collaborate with nurse case managers
- Familiarity with workers' compensation reporting requirements
- Prompt initial treatment and follow up
- Timeliness completion of required medical report documentation
- Functional improvement treatment philosophy as it pertains to light duty and return-to-work programs
- Cooperation with the network's utilization management staff
- Commitment to continuing education and training in workers' compensation
- Ability to accommodate language and cultural/social needs to foster improved access to care

Use of Artificial Intelligence

The use of AI tools should be considered for early claim routing and intervention and system smart prompts to guide claims examiners and medical care coordinators. The current technology in claims management uses generative AI to streamline claims processing, reduce administrative burden, and improve outcomes for claimants while keeping human decision-making at the core.

Purpose and value

AI automates time-consuming tasks so claims professionals can focus on claimant engagement and resolution. It does not interpret documents or make decisions — instead, it supports faster, more consistent summarization of medical documentation. A first use case involved summarizing workers' compensation medical records, and now these tools are moving to expand into claim summaries, risk identification and trend analysis.

AI validation and testing

AI tools in the claims arena were first piloted in late 2023. In a large claims TPA over a span of three months, the tool generated more than 50,000 medical summaries.[5] Examiners reviewed each summary for accuracy and consistency, helping refine the model. In phase two, imaging systems sent documents directly to AI tools, achieving a 98%+ success rate in returned results. [6] Testing and constant validation is a key aspect of using AI in the best ways for claims management organizations.

Data workflow and integration

The most advanced AI tools used by claim managers operate entirely within a secure internal environment. Data flows from claims or imaging systems into the tool via secure API. A form recognizer digitizes documents, which are then processed using predefined prompts. Summaries return in 6 to 7 seconds and are automatically recorded in the claim system.[7]

Controls and safeguards

The best AI tools' prompt engineering ensures summaries are accurate, relevant and free from bias or hallucinations. They limit datasets, exclude external sources and configure models to respond only to the document at hand.

AI-powered audits

AI tools provide automated audits to enhance examiner performance and claim results, guiding and coaching examiners to achieve higher-quality outcomes. The most advanced claim managers now audit all workers' compensation indemnity claims throughout their lifecycle.

Each audit should evaluate a robust set of quality indicators tailored to the claim's phase at defined intervals:

- Day 35, 65 and 90 after claim conversion

- Every 90 days thereafter until the claim reaches two years of age

These tools transform quality assurance by combining AI precision with human expertise, delivering transparency, consistency and stronger outcomes. Stakeholders gain clearer visibility and smarter insights throughout the claim lifecycle.

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[5] Sedgwick Claims Management Services Book of Business Research Study
[6] Sedgwick Claims Management Services Book of Business Research Study
[7] Sedgwick Claims Management Services Book of Business Research Study

Modern Claims Management Systems

There are significant opportunities to bring current operating platforms and technology forward utilizing the latest technology throughout the life cycle of a federal workers compensation claim.

The latest claim reporting includes multiple intake channels such as phone, direct web entry, systems interfaces, and mobile response platforms. A unified, multilingual intake experience across devices should include:

- Online intake process
- Dynamic forms that ensure complete data capture
- Real-time data feeds to agencies, vendors and other enabler systems
- Customized scripting by agency

Intake systems also integrate AI and optical image digitization to support automated decision-making and faster claim resolution. Once a claim is reported, it should be immediately uploaded to the claims team for action.

Stakeholders should have secure access to real-time claim data through a web-based portal. Key capabilities should include:

- AI-generated one-page claim summaries
- Customizable dashboards with drill-down metrics
- Alerts and diaries tailored to agency requirements
- Financial tracking, including payment history and reserves
- Advanced analytics and recurring report scheduling

A robust claimant portal empowers injured workers to:

- Track claims and provide updates on progress
- View payment history and claim status
- Search medical, pharmacy, and ancillary providers
- Access historical claim forms and records
- Upload documents and communicate with claims examiners
- Receive updates via text or email
- Access educational resources
- Leverage real-time chat technologies for timely support

These systems should provide access anywhere and anytime. Stakeholders need availability via PC, tablet or smartphone using modern browsers — ensuring seamless connectivity and convenience. Constant communication, ad hoc reporting, advanced interface capability, and efficiency gains for examiners are just some of the advantages derived from the latest technology. The benefits of real-time visibility result in fewer handoffs, fewer errors, actionable information, and better injured-worker and agency experience.

Bottom Line for Federal Stakeholders

Evolving and improving OWCP capabilities administering the FECA program will result in an outcome-driven environment meeting GAO oversight requirements, Congressional reform objectives, taxpayer protection and savings, and improved injured worker recovery and return to work.