United States Department of Labor Employees' Compensation Appeals Board

O.C., Appellant)
and) Docket No. 07-833
U.S. POSTAL SERVICE, POST OFFICE, Phoenix, AZ, Employer) Issued: September 4, 2007
Appearances: Appellant, pro se	Case Submitted on the Record
Office of Solicitor, for the Director	

DECISION AND ORDER

Before:
DAVID S. GERSON, Judge
MICHAEL E. GROOM, Alternate Judge
JAMES A. HAYNES, Alternate Judge

JURISDICTION

On January 29, 2007 appellant filed a timely appeal from the Office of Workers' Compensation Programs' merit decision dated November 8, 2006 in which an Office hearing representative affirmed that he was at fault in creating two overpayments, in the amounts of \$9,870.26 and \$20,221.07. Pursuant to 20 C.F.R. §§ 501.2(c) and 501.3, the Board has jurisdiction over the merits of this case.

ISSUES

The issues are: (1) whether appellant received an overpayment of compensation in the amount of \$9,870.26 because the Office failed to deduct health benefit premiums for the period August 11, 1992 through December 30, 2000; (2) whether the Office properly determined that appellant received an overpayment in the amount of \$20,221.97 for the period April 30, 1992 to June 18, 1993 because he received greater compensation for a schedule award than the amount to which he was entitled; (3) whether the Office properly found that appellant was at fault in the creation of both overpayments, thereby, precluding waiver of the recovery; and (4) whether the Office properly recovered the total amount of the overpayment by reducing the amount of appellant's retroactive benefits.

FACTUAL HISTORY

This is the second appeal before the Board. Appellant, then a 47-year-old postal clerk, filed a claim on December 21, 1990 for a bilateral hand condition. The Office accepted the condition of carpal tunnel syndrome with authorized surgical release. Appellant stopped work on December 21, 1990 and has not returned. The Office eventually placed appellant on the periodic rolls and paid appropriate compensation benefits.

The Office previously accepted a right shoulder and cervical strain arising from a September 7, 1969 traumatic injury. On October 17, 1972 appellant received a schedule award for 14 percent right arm impairment for the period March 27, 1972 to January 26, 1973. He underwent an authorized arthroscopic debridement of the right shoulder on September 23, 1991. On July 15, 1998 appellant received a schedule award in the amount of \$27,369.27 for 19 percent right arm impairment for the period April 30, 1992 to June 18, 1993. He retired from the employing establishment on August 8, 1992 and has received Office of Personnel Management (OPM) benefits since February 1, 2003. Appellant was incarcerated from October 14, 1992 to June 1, 2006 for a Class 2 felony of sexual conduct with a minor.

In an August 4, 2004 decision, the Board reversed a January 31, 2003 Office decision that terminated appellant's compensation for wage loss under 5 U.S.C. § 8106(c), effective January 31, 2003, based on his refusal to accept suitable employment. The Board found that the Office did not follow appropriate procedures. Following the Board's decision, the Office found that retroactive compensation was due appellant from February 1, 2003.

On December 10, 2004 appellant changed his election so that he would receive Office benefits retroactive to February 1, 2003. The Office placed appellant on the periodic rolls effective January 23, 2005 and paid appropriate compensation to his dependent spouse through electronic fund transfer.

In a letter dated September 1, 2005, the Office advised appellant that a supplemental payment of \$6,017.70 was being paid for retroactive compensation due from February 1, 2003 to June 11, 2005 based on a finding that he was entitled to total disability compensation for the entire period of his incarceration. The Office attached a memorandum which showed that appellant's gross compensation of \$74,438.89 less OPM reimbursement of \$27,480.00 less previous payment of \$10,848.96 resulting in a net amount of \$36,109.93 due. It noted that appellant had two undeclared overpayments of record. One overpayment was for an amount of \$9,870.26, for a health benefit underdeduction for the period August 11, 1992 to December 30, 2000 for plan code A72. Another overpayment was for an amount of \$20,221.97, for a schedule award overpayment for the right arm for which 19 percent (\$27,369.27) was paid but only 5 percent (\$7,147.30) was due. It deducted the two undeclared overpayments of record \$30,092.23

¹ Docket No. 04-766 (issued August 4, 2006).

² In a May 26, 2005 memorandum, the Regional Solicitor found that section 8148(b) did not prohibit appellant from directly receiving unreduced FECA benefits while he was in prison as his conviction occurred prior to the relevant statutory enactment. On June 3, 2005 the Office reimbursed appellant's spouse payment for past due compensation benefits from February 1, 2003 to January 22, 2005 after appropriate reimbursement to OPM.

(\$9,870.26 plus 20,221.97) from the \$36,109.93 retroactive compensation due and paid appellant \$6,017.70. It advised that preliminary notices for the overpayments would be issued to allow for due process.

In a letter dated September 6, 2005, the Office advised appellant that it had made a preliminary determination that he received a \$9,870.26 overpayment of compensation for the period August 11, 1992 to December 30, 2000. The Office indicated that this overpayment occurred when it failed to deduct premiums for health benefits for plan code A72. It made a further preliminary determination that appellant was at fault in the creation of the overpayment as he should have been reasonably aware that no health premiums were being deducted from his total disability compensation during the period August 11, 1992 to December 30, 2000. The Office advised appellant that he needed to complete and submit an enclosed Form OWCP-20 overpayment recovery questionnaire within 30 days if he wished to request waiver of the overpayment. Worksheets of record showed that, during the period August 11, 1992 to December 30, 2000, an underdeduction of health benefits amounted to \$9,870.26. A November 6, 1992 letter from the Office to the employing establishment, of which appellant was copied, indicated that the Office was deducting subscription charges for health benefits effective August 23, 1991.

In a letter also dated September 6, 2005, the Office advised appellant that it had made a preliminary determination that an overpayment had occurred in the amount of \$20,221.97 from April 30, 1992 to June 18, 1993 because appellant incorrectly received a greater schedule award of the right upper extremity to which he was not entitled. The Office found that appellant had received a schedule award for 19 percent permanent impairment to his right arm in the amount of \$27,369.27 which was paid from April 30, 1992 to June 18, 1993. Since appellant had previously received an award for a 14 percent permanent impairment to the same upper extremity, which was paid from March 27, 1972 to January 26, 1973, the Office found that appellant should have only received an award for an additional impairment of five percent or \$7,147.30. The Office found that appellant was not without fault in the matter as he "should have been reasonably aware that the second award amount was incorrect, since he had already received an award for his right arm, albeit significantly in the past." The Office advised appellant that he needed to submit an enclosed Form OWCP-20 overpayment recovery questionnaire within 30 days if he wished to request waiver of the overpayment.

In an overpayment recovery questionnaire dated September 13, 2005, appellant listed his monthly income as \$4,946.00, total monthly expenses of \$4,694.00³ and funds of \$3,851.03. He provided copies of his credit card monthly statements of the Bank of America's Visa and Mastercard account. In two undated letters, appellant indicated that his wife first learned in December 2000 that the health premium was not being deducted as she was scheduled for back surgery on January 15, 2001. Because the insurance was reinstated, they never thought about it again. Appellant also stated that, because the schedule awards were for two different conditions, his carpal tunnel and his shoulder condition, he was not reasonably aware that he was not entitled to the full amount of the second schedule award. He stated that taking the awards away and the

³ This includes: \$1,402.00 for mortgage and association fees; \$300.00 for food; \$100.00 for clothing; \$920.00 for utilities; \$200.00 for other expenses; and \$1,672.00 for payments to creditors. The Board notes that this properly adds to \$4,594.00 as opposed to the \$4,694.00 stated.

long delay in paying back the compensation would create a financial hardship. Appellant also stated that his wife used the credit cards to remodel her cabin, which she would not have done had they known compensation would be stopped.

On September 12, 2005 appellant requested a prerecoupment hearing which was held on July 25, 2006. He testified that he did not receive the prior schedule award and referred to a November 20, 1989 letter which stated that the compensation he received represented his schedule award. Appellant testified that he received compensation for the period March 27 to October 18, 1972 and he did not receive compensation again until April 29, 1974, which was at a reduced rate. He stated that he appealed the rate reduction and the Office restored benefits back to January 26, 1973. Appellant argued that he never received payment from October 18, 1972 to January 25, 1973. With respect to his health benefits, he responded that the Office had not deducted for health benefits. Appellant noted that he was incarcerated from 1992 to May 2006 and stated that he was not at fault with respect to the overpayment related to the health benefits as he had no idea the Office was not taking the deductions from his check. He additionally noted that the total overpayment was deducted or withheld from the retroactive benefits the Office had calculated as \$74,438.89.

By decision dated November 8, 2006, an Office hearing representative finalized both the \$9,870.26 overpayment for underdeduction of health benefits and the \$20,221.97 overpayment for the overpayment of a schedule award for which appellant was at fault and not eligible for waiver. The Office hearing representative found that the Office paid appropriate retroactive benefits. The hearing representative found that the fact and amount of both overpayments were correct and appellant was at fault in creating the overpayments as he knew or should have known the payments were incorrect. The hearing representative found that appellant's monthly income was \$4,946.00 and that he had a monthly expense of \$5,291.33.⁵ The hearing representative determined that the record was insufficient to ascertain appellant's obligations to determine the appropriateness of a payment schedule and directed that appellant repay the overpayment in its entirety. The hearing representative noted that the Office had recovered the total amount of overpayment by reducing the amount of appellant's retroactive benefits.

LEGAL PRECEDENT -- ISSUE 1

An employee entitled to disability compensation may continue his or her health benefits under the Federal Employee Health Benefits (FEHB) program. The regulation of OPM, which administers the FEHB program, provides guidelines for the registration, enrollment and

⁴ In a letter dated June 4, 2006, appellant informed the Office that he was out of prison.

⁵ After noting that appellant's monthly expenses totaled \$5,291.33, the Office stated: "With respect to the monthly expenses of \$4,694.00, claimant included \$1,402.00 for mortgage and association fees, \$300.00 for food, \$100.00 for clothing; \$920.00 for utilities, and \$200.00 for other expenses. Additionally, claimant indicated that he had monthly expenses of \$1,672.00 for payments to creditors."

continuation of enrollment for federal employees. In this connection, 5 C.F.R. $\S~890.502(b)(1)$ provides:

"An employee or annuitant is responsible for payment of the employee's share of the cost of enrollment for every pay period during which the enrollment continues. In each pay period for which health benefits withholdings or direct premium payments are not made but during which the enrollment of an employee or annuitant continues, he or she incurs an indebtedness due to the United States in the amount of the proper employee withholding required for that pay period."

In addition 5 C.F.R. § 890.502(d) provides:

"An agency that withholds less than or none of the proper health benefits contributions from an individual's pay, annuity or compensation must submit an amount equal to the sum of the uncollected deductions and any applicable agency contributions required under section 8906 of the title, 5 United States Code, to OPM for deposit in the Employees Health Benefits Fund."

Thus, under applicable OPM regulations, the employee or annuitant is responsible for payment of the employee's share of the cost of enrollment. An agency that withholds less than the proper health benefits contribution must submit an amount equal to the sum of the uncollected deductions. The Board has recognized that, when an underwithholding of health insurance premiums is discovered, the entire amount is deemed an overpayment of compensation because the Office must pay the full premium to OPM when the error is discovered. Section 8129(a) of the Federal Employees' Compensation Act provides that where an overpayment of compensation has been made because of an error of fact or law, adjustment shall be made by decreasing later payments to which the individual is entitled.

ANALYSIS -- ISSUE 1

The record reveals that, when appellant retired from the employing establishment, he was enrolled in health insurance under plan code A72. The record establishes that \$9,870.26 in premiums for health benefits were not deducted for the period August 11, 1992 to December 30, 2000. Thus, an overpayment was created by the underdeduction of premiums for the health benefits appellant elected. Appellant, consequently, received an overpayment of compensation due to the Office's failure to deduct premiums for health insurance coverage. Appellant elected to continue receiving health insurance after he retired and is responsible for the

⁶ 5 C.F.R. § 890.502(b)(1).

⁷ *Id.* at § 890.502(d).

⁸ *Id.* at § 890.502(b)(1).

⁹ Supra note 7.

¹⁰ See Marie D. Sinnett, 40 ECAB 1009 (1989); John E. Rowland, 39 ECAB 1377 (1988); 5 C.F.R. § 890.502.

¹¹ 5 U.S.C. § 8129(a).

entire amount of the health benefits premiums not deducted from his compensation benefits.¹² Therefore, the Office properly determined that appellant received a \$9,870.26 overpayment during the period August 11, 1992 to December 30, 2000.

LEGAL PRECEDENT -- ISSUE 2

Section 8108 of the Federal Employees' Compensation Act¹³ provides for the reduction of compensation for subsequent injury to the same member:

"The period of compensation payable under the schedule in section 8107(c) of this title is reduced by the period of compensation paid or payable under the schedule for an earlier injury if --

- (1) compensation in both cases is for disability of the same member or function or different parts of the same member or function or for disfigurement; and
- (2) the Secretary of Labor finds that compensation payable for the later disability in whole or in part would duplicate the compensation payable for the preexisting disability."

ANALYSIS -- ISSUE 2

Appellant initially received a schedule award for 14 percent right arm impairment for the period March 27, 1972 to January 26, 1973. When later medical evidence showed that he had 19 percent impairment of the right arm, the Office issued a second schedule award for an additional 19 percent. Rather than issue a schedule award for an additional 5 percent to bring the total percentage paid to 19 percent, the Office paid a full 19 percent impairment. As a result, appellant received compensation for 19 percent impairment, for a total 33 percent impairment under both awards, when the medical evidence showed that the total impairment to his right upper extremity was only 19 percent. The second schedule award thus created an overpayment. As appellant was entitled to only an additional 5 percent and not the full 19 percent paid, he should have received compensation in the amount of \$7,147.30 rather than \$27,369.27, which created an overpayment in the amount of \$20,221.97.

Compensation under each schedule award for appellant's employment injuries was for disability of or impairment to the right arm. Compensation payable for the later disability or impairment would duplicate the compensation paid for the preexisting disability or impairment. The Office, therefore, properly determined that appellant was entitled to a schedule award for only an additional five percent impairment.

¹² See supra notes 7 through 9 and accompanying text.

¹³ 5 U.S.C. § 8108.

LEGAL PRECEDENT -- ISSUE 3

Section 8129(b) of the Act¹⁴ provides that an overpayment of compensation shall be recovered by the Office unless incorrect payment has been made to an individual who is without fault and when adjustment or recovery would defeat the purpose of [the Act] or would be against equity and good conscience.¹⁵ The Office may not waive the overpayment of compensation unless appellant was without fault.¹⁶ Adjustment or recovery must, therefore, be made when an incorrect payment has been made to an individual who is with fault.¹⁷

On the issue of fault, section 10.433 of the Office's regulations, provides that an individual will be found at fault if he or she has done any of the following:

"(1) made an incorrect statement as to a material fact which he or she knew or should have known to be incorrect; (2) failed to provide information which he or she knew or should have known to be material; or (3) accepted a payment which he or she knew or should have known was incorrect." ¹⁸

With respect to whether an individual is without fault, section 10.433(b) of the Office's regulations provides in relevant part:

"Whether or not [the Office] determines that an individual was at fault with respect to the creation of an overpayment depends on the circumstances surrounding the overpayment. The degree of care expected may vary with the complexity of those circumstances and the individual's capacity to realize that he or she is being overpaid." ¹⁹

ANALYSIS -- ISSUE 3

The Office applied the third standard in determining that appellant was at fault in the creation of both overpayments. In order for the Office to establish that appellant was at fault in creating the overpayments of compensation, the Office must establish that, at the time appellant received the compensation checks in question, he knew or should have known that the payment was incorrect.²⁰

¹⁴ 5 U.S.C. § 8129(b).

¹⁵ Michael H. Wacks, 45 ECAB 791, 795 (1994).

¹⁶ Norman F. Bligh, 41 ECAB 230 (1989).

¹⁷ Diana L. Booth, 52 ECAB 370, 373 (2001); William G. Norton, Jr., 45 ECAB 630, 639 (1994).

¹⁸ 20 C.F.R. § 10.433(a).

¹⁹ *Id.* at § 10.433(b).

²⁰ See Tammy Craven, 57 ECAB ___ (Docket No. 05-249, issued July 24, 2006). See also Lorenzo Rodriguez, 51 ECAB 295 (2000); Robin O. Porter, 40 ECAB 421 (1989).

With respect to the \$20,221.97 overpayment concerning a July 15, 1998 schedule award, the Office found that appellant should have reasonably known that he was only entitled to a schedule award for an additional five percent impairment of his right upper extremity and not the additional 19 percent. The Office, however, has not sufficiently explained what evidence put appellant on notice that he knew or should have known that he was accepting an incorrect payment of compensation. The record does not establish that the Office advised appellant that he was not entitled to receive two schedule awards for impairment to the same member under the Act. Moreover, while the Office issued two schedule award decisions were then 20 years apart, there is no evidence that the Office rescinded any portion of either schedule award before finding that an overpayment had been created in this case.²¹ Thus, the Board finds that, under the above circumstances, the evidence is insufficient to establish that appellant knew or should have known that he received an incorrect payment.

Inasmuch as it has been determined that appellant was without fault in the creation of the overpayment in the amount of \$20,221.97, the Office may only recover the overpayment in accordance with section 8129(b) of the Act,²² if a determination has been made that recovery of the overpayment would neither defeat the purpose of the Act nor be against equity and good conscience.²³ The Office, however, offset this amount from the amount of appellant's retroactive benefits. Such an offset is not allowed, as it permits an unrestricted recovery of the offset portion of the overpayment without regard to the factors set forth for considering waiver in the Office's regulations, which denies administrative due process with respect to the amounts offset.²⁴

Thus, with regard to fault and waiver of the \$20,221.97 overpayment, the Board finds that the Office's November 8, 2006 decision cannot stand. The preliminary finding that appellant was at fault and that appellant accepted payments he should have known were incorrect. The case must be remanded to the Office for consideration of whether recovery of the overpayment should be waived.

²¹ The Board has upheld the Office's authority to reopen a claim at any time on its own motion under section 8128(a) of the Act and, where supported by the evidence, set aside or modify a prior decision and issue a new decision. *See* 20 C.F.R. § 10.610. The Board, however, has noted that the power to annul an award is not an arbitrary one. An award for compensation can only be set aside in the manner provided by the compensation statue. The Office's burden of justifying termination or modification of compensation holds true where the Office later decides that it has erroneously accepted a claim for compensation. In establishing that its prior acceptance was erroneous, the Office is required to provide a clear explanation of its rationale for rescission. It is a fundamental principle of the law on rescission, as developed by the Board, that the Office should not be second-guessing a prior adjudicating claims examiner and simply arrive at a different conclusion on the same evidence. *Delphia Y. Jackson*, 55 ECAB 373 (2004).

²² 5 U.S.C. § 8129(b).

²³ The guidelines for determining whether recovery of an overpayment would defeat the purpose of the Act or would be against equity and good conscience are set forth in 20 C.F.R. §§ 10.434, 10.436, 10.437.

²⁴ Diana L. Booth, 52 ECAB 370, 373 (2001) (finding that the Office s offset practice denied administrative due process rights with respect the amount offset); *Michael A. Grossman*, 51 ECAB 673, 678 (2000).

With respect to the \$9,870.26 overpayment, the Office found that appellant was at fault because he should have reasonably been aware that no health premiums were being deducted from his compensation for the period August 11, 1992 to December 30, 2000. It based its finding of fault on appellant's receipt of a November 6, 1992 letter from the Office which advised that it was deducting subscription charges for health benefits effective August 23, 1991. Appellant does not dispute the amount of the overpayment or that it was created by the Office's failure to deduct premiums from his health insurance. Instead, he argues that he was not at fault as he was incarcerated and first found out health deductions were not taken out of his checks in December 2000 when his wife was scheduled for a January 2001 operation. The record reflects that appellant was paid during his period of incarceration and identified as the payee for the period December 28, 1991 to January 31, 2003.²⁵ He is therefore responsible for the premiums for health benefits. Further, appellant has not submitted any evidence establishing that his enrollment did not continue during this period and, in his hearing testimony, he generally indicated that he was aware that premium deductions should be taken by the Office. As appellant knew or should have known that the health insurance premiums should have been deducted from the Office's November 6, 1992 letter, he accepted a payment which he knew or should have been expected to know was incorrect. As appellant was at fault in creating the overpayment, no waiver of the overpayment is possible.

LEGAL PRECEDENT -- ISSUE 4

Section 8129 of the Act provides that, when an overpayment has been made to an individual because of an error of fact or law, adjustment shall be made under regulations prescribed by the Secretary of Labor by decreasing later payments to which the individual is entitled. The implementing regulations provide that, when an overpayment has been made to an individual who is entitled to further payments, the individual shall refund to the Office the amount of the overpayment as soon as the error is discovered or his or her attention is called to same. If no refund is made, the Office shall decrease later payments of compensation, taking into account the probable extent of future payments, the rate of compensation, the financial circumstances of the individual and any other relevant factors, so as to minimize any hardship.²⁷

ANALYSIS -- ISSUE 4

As noted from the above, it is premature to evaluate recovery of the \$20,221.07 overpayment of the second schedule award. With respect to the underdeduction of health premiums, the Office found that recovery of the \$9,870.26 could be paid in its entirety by reducing that amount from appellant's retroactive benefits. It is appellant's responsibility to provide information about income, expenses and assets.²⁸ Initially, the Board notes that the Office incorrectly noted appellant's monthly expenses to be \$5,291.33 or \$4,694.00. The record

²⁵ The payments were sent to appellant's mailing address or deposited into his account.

²⁶ 5 U.S.C. § 8129(a).

²⁷ 20 C.F.R. § 10.441(a).

²⁸ *Id*.

reflects that, while appellant listed his monthly expenses as \$4,694.00, a proper mathematical calculation yields \$4,594.00, which included \$2,922.00 in usual household expenses and \$1,672.00 for payments to creditors.²⁹ The record additionally reflects that appellant stated that his total monthly income was \$4,946.00. Thus, the financial evidence indicated that appellant's monthly income exceeded his expenses by \$352.00. Appellant additionally listed \$3,851.03 in assets on his overpayment questionnaire and the record reflects that appellant had a retroactive benefit in a gross amount of \$74,438.89. Based on the evidence, the Office did take relevant evidence into account so as to minimize hardship in recovering the overpayment. The Board finds that the Office properly followed its regulations in this case. The Office properly determined that the \$9,870.26 overpayment for underdeduction could be recovered by deducting it from appellant's retroactive compensation due.³⁰

CONCLUSION

The Board finds that the Office properly determined that appellant received an overpayment in the amount of \$9,870.26 for an underdeduction of health premiums for an extended period and he was at fault in creation of the overpayment. The Office also properly directed recovery of the \$9,870.26 overpayment by deducting it from appellant's retroactive compensation due. The Board further finds that the Office properly determined the fact and amount of \$20,221.07, for an overpayment of a schedule award for the right arm. The Board, however, finds that the Office improperly determined that appellant was at fault in the creation of the schedule award overpayment and in its subsequent recovery of the overpayment.

²⁹ As previously noted this amount should be \$4,594.00. *See supra* note 3.

³⁰ Federal (FECA) Procedure Manual, Part 6 -- Debt Management, *Initial Overpayment Actions*, Chapter 6.200.4(c)(2) and 6.200.4.d(1)(b) (May 2004).

ORDER

IT IS HEREBY ORDERED THAT the November 8, 2006 decision is affirmed in part with respect to the finding of fact and amount of overpayments and in the finding of fault and recovery of the underdeduction of health premiums. However, the decision is set aside with respect to the finding of fault for the overpayment of and recovery of a schedule award and the case is remanded for further proceedings consistent with this decision.

Issued: September 4, 2007 Washington, DC

> David S. Gerson, Judge Employees' Compensation Appeals Board

> Michael E. Groom, Alternate Judge Employees' Compensation Appeals Board

> James A. Haynes, Alternate Judge Employees' Compensation Appeals Board