

# FEDERAL PHYSICIAN



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## House Proposals Extend Pay Freeze and Increase Retirement Contributions

Congress has passed legislation, P.L. 112-096, signed by the President on February 22, 2012, increasing the retirement contributions of new federal employees who are hired after December 31, 2012. Retirement contributions of new federal employees will be 3.2 percent, an increase of 2.3 percent from the current rate of 0.8 percent. The increased retirement contributions are expected to generate \$15 billion over the next 10 years and are targeted to pay for the cost of extending unemployment benefits through the rest of 2012. The legislation was included in the bill that extended the two percent reduction in employee social security tax until through the end of 2012.

In other actions this year, Republicans leaders in the House of Representatives prepared to cut federal retirement benefits, increase employee retirement contributions, and use the savings, estimated to be \$43 billion, to pay for a federal highway construction bill. FPA has written to the Speaker of the House and the Minority Leader to

oppose using federal employee compensation to pay for the country's infrastructure needs.

The legislation to change federal retirement benefits, titled the "Securing Government Annuities for Federal Employees Act of 2012," (H.R. 3813), would harm current and future federal physicians in a number of ways. Most notably, it would require current federal physicians (and all federal and postal employees) to contribute a total of 1.5 percent extra over three years, beginning in 2013, for their defined retirement benefits. For new hires, the measure also would replace the "high-three" multiplier used in annuity calculations with a "high-five" multiplier, and eliminate a supplement that many federal workers who retire after 2012 would otherwise receive.

The retirement legislation would require Federal Employees Retirement System (FERS) covered employees to contribute 2.3 percent of their wages toward their defined pension component of their retirement benefit, up from 0.8 percent under

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## Highly Skilled Federal Employees Paid Far Less than Private-Sector Counterparts

A January 2012 Congressional Budget Office (CBO) report found that federal employees were, on average, better compensated than their private-sector counterparts. The CBO study found that the pay of federal workers was just two percent higher than private-sector employees holding similar jobs and that benefits were 48 percent higher. Total compensation for federal employees was 16 percent greater than private-sector employees, a reflection of better retirement benefits.

However, the report also confirmed that highly-skilled employees, those with a professional or doctorate degrees were compensated far less than those with the same credentials in the private sector. "Federal workers with a professional degree or doctorate earned about 23 percent less

[in wages], on average, than their private-sector counterparts," CBO reported. CBO also found that the total compensation package of highly educated federal employees is about 18 less than the private sector employees. The CBO report found that federal employees with no more than a high school diploma received average pay and benefits 36 percent greater than their private sector counterparts.

The study by CBO, a non-partisan arm of Congress, represents bad news, broadly speaking, for federal employees. This is the first government study to conclude that federal employees are "overpaid" when both pay and benefits are taken into account. The report follows more than a year of reports and studies by various think tanks that reached the same conclusion and supports

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current law. Civil Service Retirement System (CSRS) covered employees would contribute 8.5 percent, an increase in the current seven percent contribution over the same three-year period. The legislation also would require federal employees hired after Dec. 31, 2012 to contribute four percent to their defined retirement benefits.

The bill also eliminates, after 2012, the Social Security supplement that most FERS-covered employees are eligible to receive. This could impact the retirement plans of many federal employees. The retirement supplement is paid when FERS-covered employees retire before age 62. It duplicates the Social Security benefit they earned during their years of federal employment and is paid until they can begin drawing Social Security at 62. The legislation would leave the benefit in place for employees who are subject to mandatory retirement before 62, primarily law enforcement officers, firefighters and air traffic controllers.

Congressman Dennis Ross (R-FL), sponsor of H.R. 3813, and chair of the House civil service oversight subcommittee, defended the legislation by noting that it applied equally to Members of Congress. In a February 2 press release, Ross said, "Since I was elected in 2010, whenever asked by constituents what the greatest challenge facing this Congress is, I always answer 'credibility.' The American people rightfully demand in their elected Representatives a willingness to live under the laws they pass. They are tired of the perks and hypocrisy they witness in their Congress. As representatives of the people we serve, Congress should live under the same rules as everyone else."

Congressman Ross went on to say, "The American people are also, rightfully, outraged by the pension benefits guaranteed to a bloated federal workforce, paid for through an ever increasing tax burden on the American worker. Too many hard working Americans watched their pensions evaporate because of unsustainable promises. There is a way to ensure value to the taxpayer and security to the worker, both private and public sector, through a more affordable defined contribution pension system. As Congress looks for ways

to cut costs, pension reform that ensures a positive return to the worker while delivering cost savings to the taxpayer, should be job one."

Ross' remarks alluded to his larger agenda—to eliminate entirely the defined benefit portion of the FERS retirement package. Earlier this year, Ross said the federal pension system must be brought more into line with private sector workforce retirement benefits. The average federal pension under FERS is between \$12,000 and \$13,000 per year, according to the Office of Personnel Management, while the typical pension under the CSRS is around \$35,000 annually. The average annual pension for lawmakers in 2010 was \$53,940, according to OPM.

State and local governments are also trying to manage large long-term deficit problems with government pension plans, which cover 27 million employees and beneficiaries. According to a recent General Accountability Office report, 35 states have reduced pension benefits for future employees and some states have cut back retirement benefit increases. Many states have changed their benefit formulas, raised the retirement age or eliminated inflation adjustments for future employees.

The only good news is that Ross' legislation, as approved by the House panel, included an amendment from Rep.

Stephen Lynch (D-MA) that would allow retiring federal employees upon retirement to cash-out their unused annual leave and deposit that lump sum into their TSP account.

### **House Approves Federal Pay Freeze**

On February 1, the House of Representatives voted to extend for a third year the federal pay freeze. The legislation, H.R. 3835, sponsored by Rep. Sean Duffy (R-WI), was approved on a 309-117 vote. The measure also denied Members of Congress a pay adjustment for 2012.

Congressional sources regarded the vote as largely an election-year political maneuver, since the Senate is not expected to go-along. By combining an extension of the pay freeze for federal workers with one for lawmakers, Republicans forced Democrats opposing the freeze to vote for a pay increase for themselves, a politically unpopular move.

The Senate planned to vote on a one-year extension of the pay freeze on May 13, 2012.

President Obama has proposed ending the federal pay freeze at the end of 2012 and has included in his FY 2013 budget a modest 0.5 percent increase for federal workers. However, House Majority Whip Steny Hoyer (D-MD) a long-time advocate for federal employees, believes the pay raise will not pass the House.



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**FEDERAL PHYSICIANS ASSOCIATION**

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# In Brief

## OPM Proposes Phased-in Retirement

The FY 2013 budget includes a proposal from the Office of Personnel Management to offer part-time employment to employees as a step to full retirement. Older workers who work part-time before retirement would receive partial annuities and could earn additional retirement benefits based on the hours worked. Older workers would be required to mentor new hires. According to OPM, the proposed program will save \$720 million over the next 10 years. Law enforcement officers, which includes all Bureau of Prisons employees, would not be eligible for the phased-in retirement.

## New Retirees Will Wait Months for Full Annuity Check

As of December 31, 2011, OPM had a backlog of almost 50,000 retirement claims and the average time to process a claim was five months. The number of federal employees retiring is increasing and OPM's goal of eliminating the backlog in 18 months and providing full annuity payments within 60 days by July 2013 is unlikely to be met. Federal employees retiring to 2012 should plan to receive 80 percent or less of their full annuity and wait several months before the full annuity is paid.

## Retirements Increasing Rapidly

The number of federal employees retiring in 2011 increased by 24 percent over 2010, from 84,427 in 2010 to 104,810 in 2011. OPM officials said the increase was partly due to the number of buyouts and early-outs offered in 2011. Retirements continued to increase in January 2012, there were 21,479 applications in January, and increase of 9 percent over January 2011. Last year OPM estimated that there were 550,000 federal and postal service employees eligible to retire.

## Transit Benefits Cut

Congress did not extend the transit tax benefit before the end of 2011, which means the subsidy reverts to \$120 per month, down from \$230 per month. The

benefit level for parking increased to \$240 a month in January.

## How to Calculate Federal Pay

Federal Physicians can use a new online calculator to determine how much money they are losing as a result of the pay freeze. The online calculator is at <http://www.ifpte.org/calculator>.

## Reform of the GS Pay System Has Started, Maybe

Six federal agencies—the Veterans Affairs, Housing and Urban Development, Energy and Labor departments and the Office of Personnel Management (OPM) and Coast Guard—are pilot testing a new employee performance system called GEAR. GEAR stands for goals, engagement, accountability and results, and is the first step toward a longer-term goal of overhauling the GS pay system, according to OPM. GEAR calls on federal managers to hold quarterly performance reviews of all employees.

## TSP Contributions Limits Change in 2012

In 2012 the elective deferral limit on regular before-tax contributions is \$17,000. The limit on catch-up contributions (for employees age 50 and older) is \$5,500. This is a separate limit from the regular contributions. Employees can increase their TSP contributions by completing Form TSP-1. Catch-up contribution elections are submitted using form TSP-1C. Both types of contributions can also be made through agency electronic enrollment process.

Since there is no pay raise in 2012, FERS employees who want to contribute the maximum \$17,000 should make sure they don't reach the limit before their final paycheck in 2012; if they do the employee will miss out on the agency match for the balance of 2012.

## Health Benefits Program Provides One-Click Health Record Access

In January, OPM announced that Federal Employees Health Benefits Program (FEHBP) insurance plans will add a "Blue Button" function to their online personal health records systems. Federal employees can use the Blue Button feature to view

and download their records, share data with physicians or family members, or access data for emergency treatment. It can also be used to transfer data from a treating physician to another provider. The feature is already being used by Veterans Affairs, Medicaid and Medicare, and DoD's Tricare health plan.

## Federal Internship Program Undergoing Changes

On December 31, 2011, the President signed a bill that seeks to encourage federal agencies to hire more interns into full-time jobs. The Federal Internship Improvement Act, which was attached to the National Defense Authorization Act, requires agencies to appoint an internship coordinator and requires OPM to post online application deadlines and procedures for each internship program, and the name and contact information for each agency's internship coordinator.

In addition to the Act, OPM plans to implement the Pathways Program in the spring of 2012. The Pathways Program consists of three excepted-service programs tailored to recruit, hire, develop, and retain students and recent graduates. The Pathways Program includes the following three programs: the Internship Program, the Recent Graduates Program, and a reinvigorated Presidential Management Fellows (PMF) Program.

## President Signs Bill to Provide Flags to Relatives of Fallen Federal Employees

On December 20, 2011, the President signed P.L. 112-73, the Civilian Service Recognition Act which authorizes a federal agency head to give a U.S. flag for an individual who was an agency employee and who died of employment-related injuries suffered as a result of a criminal act, an act of terrorism, a natural disaster, or other circumstance as determined by the President, upon the request of the employee's widow or widower, child, sibling, or parent, or other another individual other than the next of kin as determined by the Director of OPM.

## Federal Health/Medical Agencies Rankings in Best Places to Work

**B**est Places to Work in the Federal Government® rankings draw on responses from more than 266,000 federal employees collected by the Office of Personnel Management's (OPM) Federal Employee Viewpoint Survey (FEVS).

The Partnership for Public Service created the *Best Places to Work in the Federal Government*® rankings to provide a comprehensive rating of employee satisfaction across federal government agencies and their subcomponents. The 2011 *Best Places to Work* rankings include 308 federal organizations (33 large federal agencies, 35 small agencies and 240 subcomponents).

The *Best Places to Work* government-wide employee satisfaction score for 2011 was 64 out of 100, representing a 1.5 percent decrease from 2010, but 5.7 percent higher than in 2003. The Department of Health and Human Services overall score was 62.7 and the Department of Veterans Affairs overall score was 63.8.

A comparison of the agencies employing a large number of federal physicians is on page 5.

### Results of 2011 Federal Employee Viewpoint Survey

The Federal Employee Viewpoint Survey is a tool that measures employees' perceptions of whether, and to what extent, conditions that characterize successful organizations are present in their agencies. This survey was administered for the first time in 2002 and repeated in 2004, 2006, 2008, 2010, and in April/May of 2011. The survey (1)

provides general indicators of how well the Federal Government is running its human resources management systems, (2) Serves as a tool for OPM to assess individual agencies and their progress on strategic management of human capital and (3) Gives senior managers critical information to answer the question: "What can I do to make my agency work better?"

### Overall Outcomes

While the economic and political environment has been personally challenging for Federal workers, results from the FEVS continue to show a motivated workforce with strongly positive views about their agency and the work they do. The Federal government is still an employer of choice—**nearly 7 out of every 10** Federal employees recommend their organization as a good place to work.

Survey results indicate several areas that still need to be addressed in order to continue to build an effective and efficient workforce. For example, while perceptions of senior leaders have become more positive over the past few years, still less than half of employees feel senior leaders inspire high levels of motivation and commitment and less than half are satisfied with the policies and practices of senior leaders. Although movement is in the right direction, there is still more that needs to be done.

The five areas employees viewed as the most unfavorable:

- Pay raises do not depend on performance (47 percent).

- Poor performers are not dealt with (41 percent).
- Promotions are not based on merit (35 percent).
- Differences in performance are not recognized (34 percent).
- Awards are not dependent on job performance (31 percent).

Considerable problems exist in performance management. Awards and promotions are perceived as unrelated to job performance and employees feel that poor performers are not adequately addressed. These issues resurface in the results of each Governmentwide survey.

Private sector comparisons provide a different perspective. While Governmentwide ratings mirror private sector results in the areas of work and job satisfaction, the private sector outpaces the government in satisfaction with information from management, innovation, career opportunities and overall satisfaction with their agency.

The most positive response, 96.9 percent of respondents, was to the question: "When needed I am willing to put in the extra effort to get the job done." One of the most negative responses, 24.0 percent of respondents, was to the question "Pay raises depend on how well employees perform their jobs."

The annual survey will be expanded to cover the majority of federal employees in 2012. OPM expects to survey 1.8 million employees, triple the number surveyed in 2011. OPM will begin sending out the survey in April 2012.

### If the Federal Physicians Association (FPA) Never Existed:

- There would be no Physicians Comparability Allowance (PCA) since the founders of FPA wrote the legislation, and in 1977 and 1978 lobbied members of the House and Senate to pass Public Law 95-603, the Federal Physicians Comparability Allowance Act of 1978.
- There would have been no paid staff to lobby the Office of Management and Budget and the Office of Personnel Management to delegate Title 38 VA pay authority to other federal agencies.
- There would not have been the \$30,000 in members' dues available to pay a lobbyist in 1987 to successfully urge Congress to increase the maximum PCA from \$10,000 to \$20,000 a year for two-year agreements.
- There would not have been a request to Congress to conduct the 1997 study that compared the pay of all physicians, military, VA, commissioned corps and civil service and proved that the total pay and benefits of civil service physicians was less than those of ALL other federal physicians.



Best Places to Work  
Agency Rankings

	Dept of the Army Army Medical Command	HHS Centers for Disease Control and Prevention	HHS Food and Drug Administration	HHS Indian Health Service	HHS National Institutes of Health	Dept of Veterans Affairs Veterans Health Administration
<b>Number of employees</b>	35,000	8,200	10,900	13,000	13,000	226,000
<b>Categories</b>	<b>Rank out of 229 Agencies</b>	<b>Rank out of 229 Agencies</b>	<b>Rank out of 229 Agencies</b>	<b>Rank out of 229 Agencies</b>	<b>Rank out of 229 Agencies</b>	<b>Rank out of 229 Agencies</b>
<b>Employees Skills/ Mission Match<sup>1</sup></b>	20	154	100	45	70	39
<b>Strategic Management<sup>2</sup></b>	111	157	62	223	43	111
<b>Teamwork<sup>3</sup></b>	191	159	77	228	61	189
<b>Effective Leadership<sup>4</sup></b>	106	153	123	225	63	52.2
<b>Performance Based Rewards and Advancement<sup>5</sup></b>	179	160	140	213	37	43.6
<b>Training and Development<sup>6</sup></b>	87	83	112	201	52	96
<b>Pay<sup>7</sup></b>	217	85	171	208	141	218
<b>Family Friendly Culture and Benefits<sup>8</sup></b>	189	15	81	170	23	208
<b>Work/Life Balance<sup>9</sup></b>	135	124	122	204	31	195

Circled numbers are the highest and lowest rankings for each agency. Low numbers are good; high numbers are categories where employees are not satisfied with agency results. Except for the Centers for Disease Control, employees in these agencies are not satisfied with pay.

**Explanation of Categories**

1. The employee skill/mission match category measures the extent to which employees feel that their skills and talents are used effectively. Furthermore, it assesses the level to which employees get satisfaction from their work and understand how their jobs are relevant to the organizational mission.
2. The strategic management category measures the extent to which employees believe that management ensures they have the necessary skills and abilities to do their jobs, is successful at hiring new employees with the necessary skills to help the organization, and works to achieve the organizational goals with targeted personnel strategies and performance management.
3. The teamwork category measures the extent to which employees believe they communicate effectively both inside and outside of their team
4. The effective leadership category measures the extent to which employees believe leadership at all levels of the organization generates motivation and commitment, encourages integrity, and manages people fairly, while also promoting the professional development, creativity, and empowerment of employees.
5. The performance based rewards and advancement category measures the extent to which employees feel they are rewarded and promoted in a fair and timely manner for their performance and innovative contributions to their workplace.
6. The training and development category gauges the extent to which organizations, creating a friendly work atmosphere and producing high quality work products.
7. The family friendly culture and benefits category measures the extent to which employees believe family-friendly flexibilities are offered to them, including telecommuting and alternative work scheduling, along with personal support benefits like child care subsidies and wellness programs.
8. The pay category measures how satisfied employees are with their pay.
9. The work/life balance category measures the extent to which employees consider their workloads reasonable and feasible, and managers support a balance between work and life.

# When a Federal Physician Needs Liability Insurance

by Federal Employee Defense Services

Under the Federal Tort Claims Act (FTCA), federal physicians, psychologists and other medical personnel are essentially given malpractice protection for actions within their scope of employment. This means that federal medical personnel have financial protection from most common malpractice lawsuits. The FTCA does not, however, provide immunity for personal capacity lawsuits or constitutional torts. This means that federal medical personnel can be vulnerable to some types of civil actions commonly referred to as *Bivens* actions for alleged violations of an individual's constitutional rights.

The defense and indemnification of personal capacity lawsuits/constitutional torts is just one of the reasons, however, that you hear about the necessity of federal employee professional liability insurance (PLI) for federal medical professionals. For some, specifically those that are subject to evaluation and scrutiny by the public, OIG, OSC, GAO, Congress and other agency officials, PLI is necessary **primarily for the administrative benefits.**

Allegations of ethics violations, professional misconduct and negligent performance of duties are made against medical professionals working for the NIH, DOD, VA, HHS, BOP, Department of Labor, FDA and other federal agencies. While policies available to private medical professionals only meet the need for defense and indemnification in a civil suit, federal employee PLI policies are designed to cover the specific exposures of federal employees. With FEDS PLI, you are appointed your own lawyer to counsel you and defend against work related allegations, claims and lawsuits. The FEDS PLI policy provides coverage for (1) **Administrative & Disciplinary Matters**, (2) **Personal**

**Capacity Lawsuits**, and (3) **Criminal Investigations** that you could be subjected to while performing your job.

(1) **Administrative & Disciplinary Matters.** FEDS PLI pays for legal defense for any administrative investigation into alleged misconduct, disciplinary or judicial sanction proceeding from any act, error, or omission committed by a federal employee while rendering a professional service. This applies to any administrative and agency investigations as well as disciplinary actions. The FEDS policy would also defend you in a state medical board investigation and proceeding arising out of the performance of your federal job duties.

(2) **Personal Capacity Lawsuits.** There is not enough space here to discuss the legal nuances that make understanding this exposure so difficult. With regards to civil exposure, albeit rare, what you need to understand is that you can be sued, DOJ can deny representation, and you can be held liable for a judgment. FEDS PLI indemnifies you up to \$1,000,000 or \$2,000,000 limit (depending on the policy you choose) if you are sued for any act, error or omission which is committed or arises out of the course and scope of employment. Moreover, in the event that the Department of Justice exercises its discretion to deny representation, the policy also provides the legal representation necessary to defend. It is important to note that *unlike similar policies*, the FEDS policy defense amount is separate and distinct and not subject to the defense limits of the administrative and criminal provisions. In other words, legal representation for civil matters is not capped by sublimits.

(3) **Criminal Investigations.** Although criminal investigations are very rare for the federal medical professional, it is important for those

especially in managerial or supervisory positions, to know that some of the most common criminal investigations involving federal employees are due to conflict of interest statutes where intent is not a prerequisite to prove the crime, misappropriation of federal funds, release of privacy act or other statutorily protected information and/or something arising out of an allegation of misuse of position or authority. FEDS PLI pays for legal defense up to \$100,000 for any criminal investigation or proceeding into any act, error, or omission committed by a federal employee while rendering a professional service.

Even if you are ultimately vindicated, the cost to defend an allegation, claim or suit, could cost you tens of thousands of your own dollars—not to mention monetary damages if you are held liable in a civil suit. If you don't have any coverage in place, we'd like for you to consider FEDS protection. More importantly, however, is that you secure coverage from one of the three providers of federal employee professional liability insurance. FEDS costs start at just \$270 per year or \$12 per pay period. If you are classified as a manager or supervisor, you are most likely eligible for agency reimbursement up to half the cost for an annual premium of only \$135 per year.

Coverage explanations provided here are based on the FEDS policy. You can enroll on-line at [www.fedsprotection.com](http://www.fedsprotection.com) or over the phone by calling 866-955-FEDS (3337). It takes less than 5 minutes and payroll deduction is available.

**FEDS is the only one of the three providers of professional liability insurance that is a corporate partner of the Federal Physicians Association.**

## In the next issue of the *Federal Physician*:

- Comparing federal physician pay systems in HHS, DoD, and VA
- The FY 2013 budget requests for federal medical/health programs
- An update on Congressional actions on federal pay and benefits

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## Lawsuit Filed by FDA Employees over Email Monitoring

In late January, six current and former Food and Drug Administration (FDA) employees filed a lawsuit in the U.S. District Court of Washington claiming that top FDA managers monitored and seized emails from their personal Gmail and Yahoo accounts because they were whistleblowers.

The lawsuit is only one of many investigations revolving around the FDA monitoring of personal emails. The House and Senate are investigating the allegations raised by the whistleblowers and the Office of Special Counsel recently broadened its investigation.

The issue involves six current and former FDA employees who raised concerns over the effectiveness of FDA's processes for approving medical devices. Beginning in 2009, this group of employees communicated their concerns to FDA management, the President's transition team and Congress. Two of the FDA employees were fired, contracts for two of the whistleblowers were not renewed and two others still work for FDA.

The FDA scientists and doctors, who worked for the agency's Office of Device Evaluation, said they first made internal complaints beginning in 2007 that the agency had approved or was on the verge of approving at least a dozen radiological devices whose effectiveness was not proven and that posed risks to millions of

patients.

On January 31, Senator Charles Grassley (R-IA), wrote to the FDA Commissioner to express his concerns over the FDA's treatment of whistleblowers. Included in Senator Grassley's letter is an important statement: "Additionally, denying or interfering with employee's rights to furnish information to Congress is against the law.... That law states: The rights of employees, individually or collectively, to petition Congress or a Member of Congress, or to furnish information to either House of Congress, or to a committee or Member thereof, may not be interfered with or denied."

A copy of Senator Grassley's letter is published on the "Members Only" section of the Federal Physicians Association website: [www.fedphy.org](http://www.fedphy.org). (FPA members should send an email to [staff@fedphy.org](mailto:staff@fedphy.org) to request their login information.)

In early February, the Chairman of the House Oversight and Government Reform Committee, Rep. Darrell Issa, (D-CA) wrote to the Commissioner of the FDA asking for details on why personal email accounts of FDA employees were monitored. In his letter, Chairman Issa said: "Monitoring an employee's personal email rises to such a level of invasiveness that the burden to justify doing so clearly falls on the FDA." A copy of Chairman Issa's letter is published on

the "Members Only" section of the FPA website.

In mid-February, the Office of Special Counsel (OSC) broadened its investigation into whether the FDA violated personnel rules by monitoring personal emails. OSC said it had received "troubling" emails from current and former FDA employees that managers retaliated against them and attempted to launch a criminal investigation.

At a recent Senate hearing, Health and Human Services Secretary Sebelius was asked by Senator Grassley about email monitoring and retaliation against whistleblowers and said that the FDA did not monitor personal emails unless they were about the FDA. "Federal employees are put on notice that their emails can be monitored," and "FDA needs to have protections around proprietary information," she said.

FDA computers post a warning that they should have "no reasonable expectation of privacy" in any data passing through or stored on the system, and that the government may intercept any such data at any time for any lawful government purpose.

On March 5, Senator Grassley and Chairman Issa wrote to the Office of Management and Budget asking for an investigation into the electric monitoring policies of all federal agencies.

## VA Awarding Bonuses Without Justification

An audit by the Department of Veterans Affairs Office of Inspector General has concluded that the Veterans Health Administration and central office were not adequately justifying millions of dollars in retention bonuses to thousands of employees. About 80 percent of such payments reviewed by the VA's Office of Inspector General were found to be lacking in justification or documentation, the audit stated.

The inspector general examined the practice of awarding retention incentives to employees in hard-to-fill positions, and employees with unique qualifications, at the Veterans Health Administration and

VA Central Office. In fiscal 2010, the department paid nearly \$111 million in incentive payments to 16,487 employees, according to the audit. However, a review of 158 incentive payments totaling \$1 million found a large majority to be questionable, the report said.

Of the 120 payments reviewed at the Veterans Health Administration, 80 percent were questionable. Of the 38 payments reviewed in the central office, 79 percent were questionable.

"We found VHA and VA Central Office approving officials did not adequately justify and document retention incentive awards in accordance with VA

policy," the auditors wrote. "VA lacked clear guidance, oversight, and training to effectively support the program. Officials did not effectively use the Personnel and Accounting Integrated Data system to generate timely review notices and did not always stop retention incentives at the end of set payment periods."

In a separate, but related action, the House has passed legislation, the 2011 Veterans Benefits Act, which would cap the amount of performance awards to senior staff at \$2 million from 2012 to 2016. VA paid out \$3.3 million in performance awards in 2010. The legislation is being considered by the Senate.

**SKILLED** from page 1

Congressional efforts to freeze pay and cut benefits.

The chart below depicts the percentage difference in pay and benefits by education level.

According to the CBO report, in 2011 the government spent about \$200 billion on federal employee compensation, \$80 billion for DoD civilian personnel and \$120 billion for non-defense personnel. The President's 2013 budget request totals \$3.8 trillion; federal employee compensation is about five percent of the total federal budget. The CBO report also noted that the number of federal employees as a percentage of total workers has declined from 2.3 percent in 1980 to 1.7 percent in 2010.

In the report, CBO acknowledged that there are other non-measurable factors that affect the wage gap, for example CBO noted, "federal workers tend to be older, more educated and more concentrated in professional occupations than

private sector workers." The CBO report also noted that "33 percent of federal employees work in professional occupations, such as sciences and engineering, compared with only 18 percent of private sector employees; in contrast 26 percent of private sector employees work in occupations such as retail sales, production or construction, compared to only seven percent of federal employees.

A Congressional Research Service (CRS) report released in July 2011, "Selected Characteristics of Private and Public Sector Workers," supported the CBO conclusions on the differences between the workforces. The CRS analysis reported that in 2010, 52 percent of public sector workers (federal, state, and local workers) were between the ages of 45 and 64, compared to 43 percent of private sector workers. The CRS report noted: "workers who have more years of work experience may earn more than workers with less experience."

The CRS report also noted that 55.4

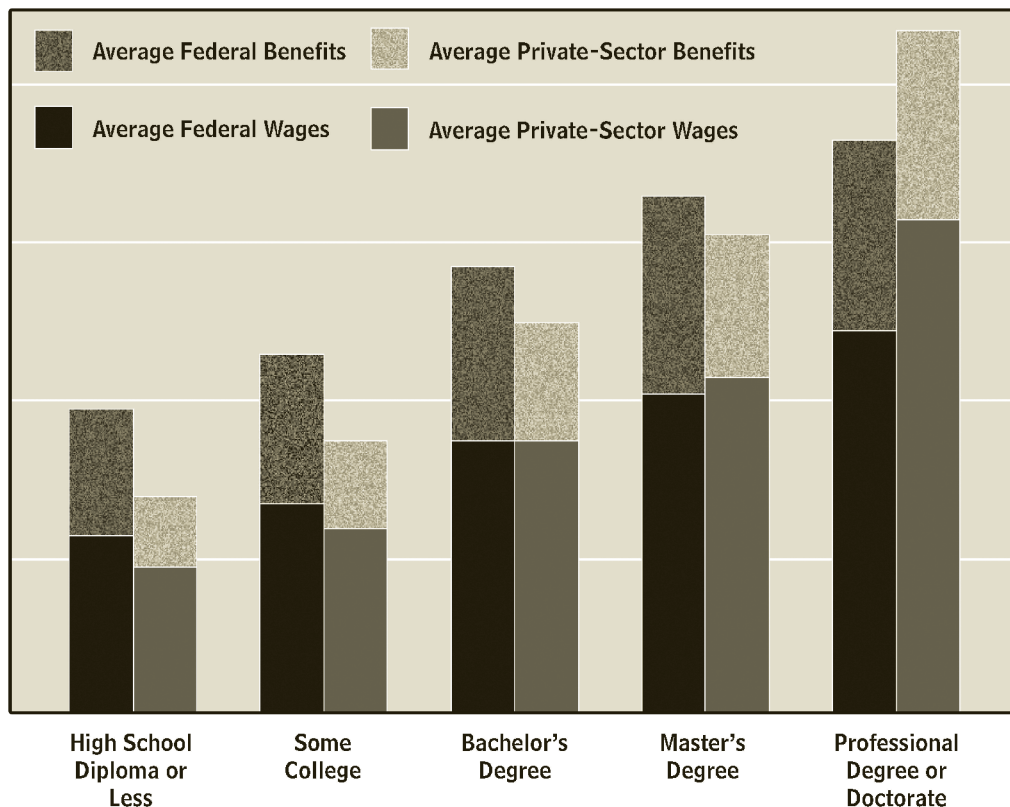
percent of public sector workers were in "management, professional and related occupations" compared to 36.9 percent of private sector workers, and that workers in these occupations earn more than those in other occupations.

The CBO report differs greatly from the November 2011 conclusions of the Federal Salary Council which found that federal pay is about 26.3 percent lower than private sector pay.

John Palguta, vice president for policy for the Partnership for Public Service, said the CBO report showed that the federal government's compensation system is deeply flawed and puts more pressure on the government to overhaul the six decade old General Schedule pay system.

Several personnel experts noted that the CBO report points out that across-the-board pay freezes or pay cuts do not solve the federal governments pay problems and are not sound human resource policy.

Comparing the Compensation of Federal and Private Sector Employees



Source: Congressional Budget Office



## Majority of Highest Paid Federal Employees are Medical Officers

In December 2011, an organization called WikiOrgCharts released a list of the 1,000 highest paid federal employees. The first 30 names on the list, the highest paid of the top 1,000, are mostly medical officers working for the National Institutes of Health or the Indian Health Service. The first position not tied to health care is Robert Fenner, a general attorney with the National Credit Union Administration, who ranks 60th with an annual salary of \$265,559.

While some have pointed to the list as another example of overpaid federal employees, defenders of federal employees point out that the highly paid federal employees are doctors, executives and other professionals who are highly paid in the private sector as well.

In fact, the latest pay survey from the research group GMI reported that the two highest paid CEOs in North America were in healthcare. John Hammergen, CEO of McKesson, a pharmaceutical distributor and technology firm made \$145 million in 2010. John Gemunder, CEO of Omnicare, the nation's leading provider of medicines for seniors, reportedly made \$98 million. GMI said that other healthcare CEOs rounded out the top 10 highest paid CEOs.

The top 20 among the highest paid federal employees were:

1	<b>Electron Kebebew</b> .....	Medical Officer .....	National Institutes of Health .....	\$350,000.00
2	<b>Randolph Copeland</b> .....	Medical Officer .....	Indian Health Service .....	\$339,507.00
3	<b>Anthony Fauci</b> .....	Director, National Allergy and Infectious Disease.....	National Institutes of Health .....	\$335,000.00
4	<b>David Poe</b> .....	Medical Officer .....	Indian Health Service .....	\$326,913.00
5	<b>Joseph Frechette</b> .....	Medical Officer .....	Indian Health Service .....	\$326,913.00
6	<b>Richard Nichols</b> .....	Medical Officer .....	Indian Health Service .....	\$325,007.00
7	<b>Bradford Wood</b> .....	Medical Officer .....	National Institutes of Health .....	\$325,000.00
8	<b>David Bluemke</b> .....	Medical Officer .....	National Institutes of Health .....	\$325,000.00
9	<b>John Gossard</b> .....	Medical Officer .....	Indian Health Service .....	\$317,007.00
10	<b>Paul Sieving</b> .....	Medical Officer .....	National Institutes of Health .....	\$310,000.00
11	<b>William Kammerer</b> .....	Medical Officer .....	National Institutes of Health .....	\$310,000.00
12	<b>Elizabeth Jones</b> .....	Medical Officer .....	National Institutes of Health .....	\$306,250.00
13	<b>Steven Rosenberg</b> .....	Medical Officer .....	National Institutes of Health .....	\$305,000.00
14	<b>W Linehan</b> .....	Medical Officer .....	National Institutes of Health .....	\$305,000.00
15	<b>Ronald Summers</b> .....	Medical Officer .....	National Institutes of Health .....	\$301,000.00
16	<b>Lawrence Tabak</b> .....	Principal Deputy Director .....	National Institutes of Health .....	\$300,000.00
17	<b>Roderic Pettigrew</b> .....	Director of the National Institute of Biomedical Imaging and Bioengineering .....	National Institutes of Health .....	\$300,000.00
18	<b>John Park</b> .....	Medical Officer .....	National Institutes of Health .....	\$300,000.00
19	<b>Russell Lonser</b> .....	Medical Officer .....	National Institutes of Health .....	\$300,000.00
20	<b>Julia Labovsky</b> .....	Medical Officer .....	National Institutes of Health .....	\$300,000.00

The complete list of the 1,000 highest paid employees is available at <http://www.wikiorgcharts.com/stats/top1000/>

## Two Things FPA Members Should do to Increase FPA Membership

The Federal Physicians Association is not a union; FPA's influence depends on the number of federal physicians who are dues paying members. The two most successful ways to increase membership are:

- Help organize a small meeting at your agency where a representative from FPA can brief your physician colleagues on federal employee and federal physician developments.
- Ask a colleague to join FPA. Members are urged to contact just one of their colleagues and explain why they should join FPA. Here are some reasons to cite when asking a federal physician to join:
  1. You will be a member of the ONLY physician organization dedicated exclusively to the concerns of federal physicians. The unions and the federal agencies have many competing priorities; FPA's priority is to be an advocate for federal physicians.
  2. You will be part of a group that has considerable influence in the agencies and Congress because FPA includes researchers working to find cures for heart disease, cancer and AIDS; physicians protecting the safety of food

and drugs; clinicians providing medical care to Defense and State Department employees and dependents and Native Americans and doctors providing care to our nation's veterans. No individual physician or group of physicians in a single agency will have the influence of FPA.

3. You will be part of a coalition representing over 500,000 federal employees, the Coalition for Effective Change, which works closely with the Office of Personnel Management and the Congress to monitor and safeguard federal pay, benefits, pay for performance and retirement promises.
4. You will learn the "ins and outs" of federal physician pay and benefits. In an FPA survey of almost 1000 physicians, most physicians did not know, or understand their agency's rules governing physician pay; they often did not know the maximum physician pay in their agency.
5. You will increase the amount of staff time that can be devoted to issues concerning federal physicians. All of FPA's Board members have full time jobs; the amount of time FPA can spend on issues affecting federal physicians depends on the amount of dues available to pay staff.

6. You will receive the Federal Physician newsletter and emails on information about federal physician pay benefits and other information on federal agency and congressional developments affecting federal employees.

Members should also explain FPA's current initiatives, including:

1. Lobbying Congress to urge Members to avoid extending the pay freeze or reducing retirement benefits for current federal physicians.
2. Asking the Department of Defense about the progress being made to close the pay gap between the pay of physicians converted to the new pay system from NSPS and the legacy system.
3. Asking the Bureau of Prisons to clarify the intent of the Physicians Comparability Allowance (PCA), which is to be used for recruitment and retention problems and is not affected by performance.
4. Identifying a Member of Congress to work with FPA to modify the annual report on the Physicians Comparability Allowance, which now reports on the pay of very few physicians, to include all physician pay systems and all specialties.

## Some Federal Retirees Receive More than \$100,000 in Annual Benefits

One of every 125 retired federal employees, about 15,000 retirees, receives more than \$100,000 a year in retirement benefits according to a report by *Bloomberg*, a major global provider of 24-hour financial news and information. Bloomberg obtained the information from a Freedom of Information Act request.

According to the report, the Department of the Treasury pays out \$4.9 billion a month for about 1.8 million retirees.

The list of high-earning retirees includes congressional staff as well as physicians and public university employees. Presidential candidate Newt Gingrich receives an annual pension of \$100,200. Former Senator Bob Dole

(R-Kansas) earns \$144,432, former Senator Trent Lott (R-Mississippi) \$110,352, former-Representative Dick Gephardt (D-Missouri) earns \$106,512 and former vice-president Dick Cheney collects a federal pension of \$125,976 a year. Irving K. Jordan Jr., former president of Gallaudet University in Washington, led the list at \$375,900. Gallaudet gets about \$120 million federal funding each year.

Due to cost-of-living adjustments, 48,500 retirees are making more now than when they were federal employees. More than nine percent of retirees from the Securities and Exchange Commission are included in the 48,500 retirees who receive more than \$100,000 a year.

## Best Dates to Retire in 2012

by Tammy Flanagan, Senior Benefits Director for the National Institute of Transition Planning Inc.

Since Congress is extending the current pay freeze for one or two more years, increasing the federal employee contribution to retirement, changing the basis of the retirement calculation from high-three to high-five, 2012 may be a good time to consider retiring. A calendar of the best dates to retire is available at: <http://cdn.govexec.com/resources/best-dates-to-retire-2012/doc.pdf>.

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## FPA Agency Contacts

In order to keep members of the Federal Physicians Association informed of actions or issues affecting federal physicians, and to make sure federal physicians are made aware of FPA's activities, FPA is developing contacts in all agencies employing federal physicians. The goal is to have an FPA contact in each NIH institute, at each Indian Health Service hospital, at each DoD installation, etc..

To start developing these contacts, FPA needs an agency contact at the Department of Veterans Affairs. FPA members interested in serving as agency contacts should contact the office at 1-877-333-7497, or staff@fedphy.org.



## Federal Physicians Association Membership Application

Name: \_\_\_\_\_ Office Phone: \_\_\_\_\_  
last first

Address: \_\_\_\_\_ Email: \_\_\_\_\_  
street

Address: \_\_\_\_\_  
city state zip

Agency: \_\_\_\_\_ Medical Specialty: \_\_\_\_\_

Grade: \_\_\_\_\_ Yrs Service: \_\_\_\_\_ Type Pay System: \_\_\_\_\_ Total Pay: \_\_\_\_\_  
\*PCA, T38, PDPP

Annual: \$100/year    \$185/2 years     Check enclosed payable to FPA

Amex     MasterCard     Visa    Account Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Exp Date: \_\_\_\_\_ / \_\_\_\_\_

Mail to: FPA, 12427 Hedges Run Dr, Suite 104, Lake Ridge, VA 22192  
 May we print your name as a new member in the newsletter?     yes     no

50% of dues is attributable to nondeductible lobbying activity and is therefore not deductible under Internal Revenue Code Section 162 as an ordinary and necessary business expense.

1st Qtr 2012

## DoD Proposes New Military Health Agency

**O**n March 2, 2012, the Department of Defense sent Congress a plan to establish a new agency that would absorb the functions of Tricare and take over responsibility for common clinical and business processes across the military health system.

According to DoD, the creation of a new Defense Health Agency would enable the department to combine certain health system functions—such as health information technology, medical logistics and medical education—that could be shared by the three service branches to save money and increase efficiency. The Army, Navy and Air Force currently administer those

processes separately.

The creation of the new agency is one of three principal reforms outlined in a new DOD report on the governance of the military health system.

Under a second reform detailed in the report, the department would appoint market managers who would have greater authority “to create and sustain a cost-effective, coordinated, and high-quality health care system in multi-service medical markets.” Multi-service markets are those in which more than one military department delivers health care services to the entire population. A DoD task force identified 14 such markets.

The plan includes a third reform, a proposal to transfer responsibility for running military treatment facilities in the Washington, D.C., area to a new directorate within the Defense Health Agency. That new unit would succeed the Medical Joint Task Force for the National Capital Region, which oversees Walter Reed National Military Medical Center and Fort Belvoir Community Hospital.

The plan still needs to be reviewed by Congress and the Government Accountability Office. If the proposed changes are approved, they would not be instituted until early 2013.

