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Section —Paying the Employee	TOPIC WORKERS' COMPENSATION NON-VSDP
	DATE June 2023

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Overview

Introduction This topic provides guidelines for making workers' compensation payments to eligible non-VSDP employees. Employees who are enrolled in the Virginia Sickness and Disability Program (VSDP) and have workers' compensation claims receive different benefits than non-participants in VSDP. VSDP workers' compensation payment processing guidelines are in CAPP Topic 50525, *Virginia Sickness and Disability Program*. **This topic governs only non-VSDP workers' compensation processing.**

Workers' Compensation Awards Employees injured during the course of employment are eligible for benefits under Virginia's Workers' Compensation Act if the injury is deemed compensable. Claims for work-related injuries are in a “pending” status until deemed “compensable” or “non-compensable” by the Department of Human Resource Management’s Workers’ Compensation Program. Payments to employees for such awards are generally paid by the employing agency for at least the first 92 calendar days following the injury. Agencies are subsequently reimbursed by the WORKERS’ COMPENSATION PROGRAM.

The Workers’ Compensation Program (WCP) is responsible for administering the state workers’ compensation program under Title 65.2 of the *Code of Virginia*. WCP initially identifies employees eligible to receive workers’ compensation benefits and handles all related payments to physicians, agencies and employees (if applicable). The *Workers’ Compensation Claim Procedure Manual* provides agency and employees responsibilities. Workers’ compensation award amounts are determined by WCP and approved by the Workers’ Compensation Commission. The amount is always less than an employee’s regular salary.

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DHRM Workers' Compensation Supplement

To make up the difference between the workers' compensation award and regular salary, eligible non-VSDP employees covered by the Virginia Personnel Act (VPA) are entitled to receive supplemental salary payments in accordance with DHRM Policy 4.60. Review this policy in detail prior to processing.

Supplemental salary payments (agency supplement) are calculated as the difference between regular salary and the workers' compensation award. Such payments are only made post-award. Employees are eligible for the agency supplement during the first 92 calendar days of compensable work-related absences. Agencies may extend this period by 480 work hours.

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Using Personal Leave to Augment Workers' Compensation

Once the eligibility period for the agency supplement expires, employees can replace the earnings difference between the workers' compensation award and their regular salary by using available personal leave balances (annual, sick, compensatory, and/or overtime). When all personal leave is exhausted, employees receive only the workers' compensation award and are in a Leave Without Pay (LOA) status. Refer to the Cardinal job aid HR_351, Action Reason Codes for the applicable reason/action reason used by HR.


Synopsis of the Workers' Compensation Process

Employing agencies must report work-related injuries within 10 days of the injury to the Workers' Compensation Program who investigates and determines eligibility (some services are contracted out). The investigation, receipt of information, and eligibility determination may take 1-90 days. During the eligibility determination period, employees typically use personal leave in order to continue to be paid. Employees with no personal leave balances typically go into a leave without pay (LOA) status. After the workers' compensation claim is deemed compensable, agencies may be required to process adjustments to pay, benefits, and leave including:

- Retroactive payroll adjustments to reclassify taxable regular payments made to the employee during the eligibility determination period into the appropriate taxable agency supplement and nontaxable workers' compensation earnings codes. Or,
- Large one-time payments to employees in cases where employees went into a leave without pay status during the eligibility determination period.

After eligibility determination, workers' compensation awards (i.e., agency reimbursements) are usually received on a timely basis, and agencies can categorize payments to the employee appropriately and timely. Once the employee is no longer entitled to the agency supplement and has exhausted all personal leave balances, workers' compensation awards should be mailed directly from the Workers' Compensation Program to the employee. To assure there is no break in pay for the employee, two weeks prior to the date the employee is no longer entitled to the agency supplement and has exhausted all leave, notice must be provided to the Workers' Compensation Program. At this point, agencies should perform a complete audit of the claim, ensuring all award related payments due the agency and employee have been received, paid, and accounted for properly.

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Payroll Summary

A summary of payroll, benefits, and leave processing required in conjunction with **compensable** worker's compensation claims follows:

Days	Payroll Processing/WCP Reimbursement Summary
Day 1-7	<ul style="list-style-type: none"> • Pay regular taxable salary. • Process benefits as normal. <p>Agencies are reimbursed only if claim extends beyond 21 days.</p>
Day 8 -92	<ul style="list-style-type: none"> • Pay workers' compensation amount (WCP) – nontaxable. • Pay agency supplement (WCS) – taxable. • Process benefits as normal. <p>Agencies are reimbursed the amount of the workers' compensation award (WCP).</p>
Day 93 - forward	<ul style="list-style-type: none"> • Pay workers' compensation amount (WCP) – nontaxable. • Agency supplement (WCS) expires unless agency approves extension (see DHRM policy 4.60). Absent an extension, or after the extension expires, employees must use personal leave (if available) on the timesheet to augment the workers' compensation award up to their regular salary. • Pay regular taxable salary (RGS) for personal leave used; leave entered on the timesheet will be reclassified to non-productive time once the timesheet has been processed. • Process benefits as normal. <p>Agencies are reimbursed the amount of the workers' compensation award (WCP).</p>
After Agency Supplement and Personal Leave Balances Expire	<ul style="list-style-type: none"> • Agency places employee on leave without pay (LOA) status. • Agency contacts the Workers' Compensation Program two weeks prior to anticipated LOA date to have workers' compensation payments mailed directly to employee. • Benefit processing stops.

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Coordination with Payroll, Benefits, and Leave

Importance of Timely Processing and Communication

Processing payroll, benefits, and leave for employees affected by work-related absences can be among the most complex areas of payroll administration. This complicated process is frequently made more challenging by processing delays and/or poor communication, such as:

- Payroll and the Workers' Compensation Program are not notified timely of absences due to work-related injury.
- Workers' compensation eligibility determination is delayed either by the agency or the Workers' Compensation Program.
- Workers' compensation award payments to agencies are delayed.
- Payroll is not provided with timely notification of awards.

Delays and poor communication nearly always affect employee take-home pay, resulting in incorrect classification of pay (i.e., taxable vs. nontaxable, regular pay vs. special pays), under or overpayments, and incorrect benefit deduction processing.


Fringe Benefit Eligibility

Employees retain eligibility for certain benefits during the period in which they receive workers' compensation awards as summarized below.

Benefits	WC with Agency Supplement or Personal Leave Payments	Workers' Compensation Only
Healthcare	Yes	Yes – HCM BN Only
Retirement & Health Credit	Yes	No – Service Credit may be purchased later
Group Life	Yes	Yes

Deduction overrides may need to be entered (as outlined later in this topic) in order to ensure accurate recording of certain benefits while the employee is receiving workers' compensation.

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Coordination with Payroll, Benefits, and Leave, Continued


Leave Processing

Absences from work for compensable workers' compensation claims should be tracked and charged in hours on timesheets as workers' compensation based upon the employee's standard workday.

Time lost:	AM Absence Code	TRC	Earnings Code	FIN Acct Code
Day of injury	WCI	WCIR	OTL	50112304
Covered by WC benefit	WCP	WCPR	WCP	5011510
Covered by agency supplement	WCS	WCSR	WCS	5011520

Absences for employees receiving the agency supplement are also charged as workers' compensation leave. Employees whose absence extends beyond the period of time they are eligible for the agency supplement may elect to use personal leave (i.e., annual, sick, compensatory) to augment the workers' compensation pay up to the amount needed to replace regular salary. In this case, leave time (i.e., absence from work) is split between workers' compensation leave and personal leave in accordance with established agency policy.

Please note that TRCs for workers' compensation should be entered timely and are used only for payment distribution and do not generate payments. Payments must be entered through SPOT transactions.

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Workers' Compensation Program Award Payments

Workers' Compensation Program Award Payments – Paid Leave of Absence Status

Workers' compensation award payments **must** be paid to employing agencies by the Workers' Compensation Program for employees within the 92-calendar day window. These payments are provided to agencies by the Workers' Compensation Program on a biweekly basis as reimbursement for the workers' compensation award payments made by agencies to injured employees through payroll. Employees are in a paid leave of absence status (Action/Action Reason – PLA/WRC) during the period they are either receiving the agency supplement or using personal leave balances to augment the award amount. The first seven days of absence for a compensable claim are not reimbursed to the agency unless the absence extends beyond 21 days.

Agencies are responsible for notifying the Workers' Compensation Program that the agency is to receive the payments during this period. Agencies should deposit the payment as a credit against the payroll expenditures in accordance with CAPP Topic 20205, *Deposits*.

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Workers' Compensation Program Award Payments, Continued

Workers' Compensation Program Award Payments - LOA Status

Workers' compensation award payments are made directly to employees by the Workers' Compensation Program once employees are in a leave without pay (LOA) status. Employees are moved to a leave without pay status (LOA/WCP) once they are no longer receiving pay for the agency supplement or using personal leave balances to augment the workers' compensation award.

The agency **must** notify the Workers' Compensation Program, in writing, at least 14 to 21 days prior to the time employees are placed on leave without pay. This notification helps to ensure checks are sent to the employee timely and prevents an assessment to the agency of a 20% penalty on late workers' compensation payments.

Agencies should review each workers' compensation case and reconcile payments to the employee with the workers' compensation reimbursements prior to notifying the Workers' Compensation Program. If overpayments or underpayments are identified, agencies must take the necessary actions to correct the inconsistency prior to releasing the case solely to the Workers' Compensation Program.

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Agency Payroll Processing

Pre-award Absences – Key Internal Control

Agencies must carefully consider their actions during the period of time the Workers' Compensation Program investigates claims (pending status) in order to safeguard Commonwealth assets and minimize the possibility of collection problems. During this time, agencies should charge employee absences to personal leave or, if personal leave is not available, employee pay should be docked. If the claim is subsequently determined to be compensable, agencies will credit leave charged or provide back-pay for workers' compensation awards and agency supplements to which employees become entitled following the award. If the claim is subsequently determined to be non-compensable, no adjustments are required. If agencies continue employees' normal pay, benefits, and leave processing during the eligibility determination period, the complexity and magnitude of post-award adjustments are greatly increased.

This same process applies in new unexpected periods of absence that the employee relates to their original injury. Prior to authorization by the Workers' Compensation Program of coverage for new periods of disability, employees should use personal leave in order to continue pay.

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Agency Payroll Processing, Continued

Earnings Codes The following table provides key information regarding HCM workers' compensation pay types. HCM will automatically:

- not take taxes from earnings code WCP.
- charge earning codes WCP and WCS to the correct object codes for workers' compensation and agency supplement.

See Cardinal job aids, PY381_Earnings Codes and PY381_Using the Single-Use Payroll Online Tool (SPOT) for more information.


	Workers' Comp	Agency supplement	Personal Leave
Earnings Code	WCP	WCS	RGS
Court-ordered Deductions	Yes	Yes	Yes
Withhold Taxes	No	Yes	Yes

Biweekly to Semimonthly Conversion

Since workers' compensation award payments to agencies are made for biweekly periods, agencies must convert the biweekly award from WCP to a semimonthly amount as outlined in the following table. Before you begin, obtain the biweekly indemnity amount (from the Workers' Compensation Program), semimonthly salary, and the number of calendar days in the applicable semi-monthly pay period:

Step	Action
1	Divide the biweekly indemnity amount by 14 (i.e., calendar days in a biweekly period). This is the daily indemnity amount.
2	Multiply the daily indemnity amount by the number of calendar days in the semimonthly pay period. This is the semimonthly workers' compensation payment to the employee.
3	Subtract the semimonthly workers' compensation payment from the semimonthly salary. The results of step 2 and 3 should never total more than regular semimonthly salary. <ul style="list-style-type: none"> • If eligibility for the agency supplement remains, this is the agency supplement payment to the employee. • If eligibility for the agency supplement has expired but personal leave is available and charged, this amount is paid as regular salary.

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Agency Payroll Processing, Continued

Deduction Overrides

If needed, the agency will enter deduction overrides for both benefit and general deductions into Cardinal HCM using the Single-Use Payroll Online Tool (SPOT). Refer to the “Using the Single-Use Payroll Online Tool (SPOT)” Job Aid for detailed instructions.

See CAPP Topic 50605, *Tax and Deduction Overrides*, for additional information on processing deduction overrides in Cardinal HCM.

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Post-award Pay, Benefits and Leave Adjustments


As a practical matter, payroll must gather all the available facts and information for each case and compare the pay and benefits the employee received (or is receiving) with the pay and benefits the employee was (or is) entitled to receive. Differences in pay, benefits, or leave must be identified and corrected. Timely processing and good communication minimize the magnitude of these differences and the corresponding adjustments to correct payroll, benefits and/or leave records. However, the need for adjustments can never be completely eliminated.

For example, since eligibility determination may take up to 90 days, employees must use personal leave to continue pay, or go on LOA during this period. Once claims are deemed compensable, immediate retroactive adjustments are required. Similar adjustments are required for the first seven days of absence when the claim extends beyond 21 days. Agencies should provide employees with written verification documenting that personal leave balances were restored.

As outlined in the following table, the types of post-award adjustments needed for compensable claims varies depending on whether employees have personal leave balances available during the absence:

Pay/Benefit/Leave	With Leave	Without Leave
Regular Pay	Reduce	No adjustment
WCP	Increase by the amount of WC award.	Pay the amount of the WC award.
WCS	Increase by the difference between regular salary and the WC award.	Pay the difference between regular salary and the WC award.
VRS Retirement	No adjustment	VRS will charge agency in the monthly snapshot.
Personal Leave	Return leave charged.	Credit for non-accrued leave (if appropriate).
Employee-paid Benefits	No adjustment	Process according to routine LOA procedures.

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Agency Payroll Processing, Continued

Calendar Year End In the event the award is approved for time lost in the prior calendar year, how it is processed depends on whether the employee used personal leave to continue to receive payment for the time lost during the prior calendar year. If yes, then leave balances may need to be adjusted and a W2C must be requested to correct the taxable wages for the prior calendar year. Do not reclassify wages in the current year.

If the employee is still due any payments related to the award, the payments will be made in the current year and treated as workers comp in the year payment is made.

Internal Control

Internal Control Agencies must establish and maintain consistent standards and procedures for the payment of workers' compensation awards and the calculation of related pay, fringe benefits, and leave. Agencies must verify that the information processed is complete, properly authorized, and entered accurately into the system. The technical accuracy of payroll actions made in Cardinal HCM is a shared responsibility of the person who collects and processes the source documents and the agency fiscal manager who must oversee the payroll operation to ensure consistent application of internal control procedures.

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Records Retention

Time Period Payroll reports should be retained for five (5) years or until audited, whichever is later. Agency policy and procedures determine the retention of the related agency source documents/records. Please see CAPP Topic No. 21005, *Records and Retention*.

Contacts

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Subject Cross References

References CAPP – Topic No. 20205, *Deposits*.
CAPP – Topic No. 21005, *Records and Retention*
CAPP – Topic No. 50525, *Virginia Sickness and Disability Program*
CAPP – Topic No. 50605, *Tax and Deduction Overrides*

Refer to suggested job aids and training information for data entry and processing on the Cardinal website: <http://www.cardinalproject.virginia.gov/>.
