

FY 2012

CONGRESSIONAL BUDGET JUSTIFICATION

SPECIAL BENEFITS

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SPECIAL BENEFITS

APPROPRIATION LANGUAGE

(Including Transfer of Funds)

For the payment of compensation, benefits, and expenses (except administrative expenses) accruing during the current or any prior fiscal year authorized by chapter 81 of title 5, United States Code; continuation of benefits as provided for under the heading "Civilian War Benefits" in the Federal Security Agency Appropriation Act, 1947; the Employees' Compensation Commission Appropriation Act, 1944; sections 4(c) and 5(f) of the War Claims Act of 1948 (50 U.S.C. App. 2012); and 50 percent of the additional compensation and benefits required by section 10(h) of the Longshore and Harbor Workers' Compensation Act, \$350,000,000, together with such amounts as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to August 15 of the current year: Provided, That amounts appropriated may be used under section 8104 of title 5, United States Code, by the Secretary of Labor to reimburse an employer, who is not the employer at the time of injury, for portions of the salary of a re-employed, disabled beneficiary: Provided further, That balances of reimbursements unobligated on September 30, 2011, shall remain available until expended for the payment of compensation, benefits, and expenses: Provided further, That in addition there shall be transferred to this appropriation from the Postal Service and from any other corporation or instrumentality required under section 8147(c) of title 5, United States Code, to pay an amount for its fair share of the cost of administration, such sums as the Secretary determines to be the cost of administration for employees of such fair share entities through September 30, 2012: Provided further, That of those funds transferred to this account from the fair share entities to pay the cost of administration of the Federal Employees' Compensation Act \$59,488,000 shall be made available to the Secretary as follows:

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(1) For enhancement and maintenance of automated data processing systems operations and telecommunications systems, \$17,253,000; (2) For automated workload processing operations, including, document imaging, centralized mail intake, and medical bill processing, \$26,769,000; (3) For periodic roll management and medical review, \$15,466,000; and (4) The remaining funds shall be paid into the Treasury as miscellaneous receipts: Provided further, That the Secretary may require that any person filing a notice of injury or a claim for benefits under 5 U.S.C 81., or the Longshore and Harbor Workers' Compensation Act (33 U.S.C. 901 et seq.), provide as part of such notice and claim, such identifying information (including Social Security account number) as such regulations may prescribe.

Note.—A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111–242, as amended). The amounts included for 2011 reflect the annualized level provided by the continuing resolution.

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EXPLANATION OF LANGUAGE CHANGES

Not Applicable

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ANALYSIS OF APPROPRIATION LANGUAGE

“ . . . together with such amounts as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to August 15 of the current year: . . . ”

This language provides authority to advance funds from the next fiscal year appropriation anytime between August 15 and September 30 of the current year should such action be required to pay benefits. It enables the Office of Workers' Compensation Programs to meet any immediate shortage of funds to pay compensation and other benefits during this period without having to request additional resources through a supplemental appropriation.

" . . . *Provided*, That amounts appropriated may be used under 5 U.S.C. 8104, by the Secretary of Labor to reimburse an employer, who is not the employer at the time of injury, for portions of the salary of a reemployed, disabled beneficiary: . . . ”

This language provides authority to use the Employees' Compensation Fund to pay a portion of the salary of a newly reemployed injured Federal worker receiving long-term benefits. New employers will be reimbursed during the first three years of employment in amounts up to 75% of salary in the workers' first year, declining thereafter. The total amount of salary reimbursement and compensation in a given year will not exceed the total amount which would be paid to the claimant in wage loss compensation at the total rate. Such reimbursement shall be charged to the Employees' Compensation Fund, as are other costs of rehabilitating and arranging reemployment of FECA recipients. The incentive of assisted reemployment increases the possibility that job offers will be made to current FECA beneficiaries who have been difficult to place with their former employer.

" . . . *Provided further*, That balances of reimbursements and appropriations unobligated on September 30, 2011, shall remain available until expended for the payment of compensation, benefits, and expenses . . . ”

This language provides authority to carry over an unobligated balance of both appropriations and deposits to the FECA account at the end of the fiscal year for use in the following fiscal year. If this proviso were not in this language, any unobligated deposits remaining at the end of the fiscal year would lapse to Treasury and therefore be unavailable to the Office of Workers' Compensation Programs

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as resources to offset compensation, medical and other benefit payments and expenses.

“ . . . Provided further, That in addition there shall be transferred to this appropriation from the Postal Service and from any other corporation or instrumentality required under section 5 U.S.C. 8147(c) to pay an amount for its fair share of the cost of administration, such sums as the Secretary determines to be the cost of administration for employees of such fair share entities through September 30, 2011: . . . ”

This language provides that those funds paid by the Postal Service, the Tennessee Valley Authority, and other entities required to pay their "fair share" of the costs of administering the claims by their employees under the Federal Employees' Compensation Act, shall be paid into the Special Benefits Account of the Employees' Compensation Fund.

“ . . . Provided further, That of those funds transferred to this account from the fair share entities to pay the cost of administration of the Federal Employees' Compensation Act, \$59,488,000 shall be made available to the Secretary for automated systems operation and maintenance and for periodic roll management and medical review. The remaining funds shall be paid into the Treasury as miscellaneous receipts: . . . ”

It further provides that \$59,488,000 of those funds shall be made available to the Secretary of Labor for automated systems operation and maintenance and for periodic roll management and medical review. The balance of the "fair share" funds shall revert to Treasury.

“ . . . Provided further, That the Secretary may require that any person filing a notice of injury or a claim for benefits under 5 U.S.C. 81, or the Longshore and Harbor Workers' Compensation Act, provide as part of such notice and claim, such identifying information (including Social Security account number) as such regulations may prescribe . . . ”

This language provides authority to require disclosure of Social Security account numbers (SSNs) by individuals filing claims under the Federal Employees' Compensation Act (FECA) or the Longshore and Harbor Workers' Compensation Act (LHWCA) and its extensions. Their use will help prevent duplicate claims being filed by the same claimant in different district offices and make it easier to match data from different benefit programs to detect errors (including fraud), consistent with Congressional mandates to do so. A legislative change is needed because the Privacy Act prevents agencies from requiring disclosure of SSNs unless disclosure is required by Federal statute. (See Privacy Act, Dec. 31, 1974, P.L. 93-579, section 7, Stat. 909.)

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AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2010 Comparable		FY 2011 Full Year C.R.		FY 2012 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	127	\$187,000	120	\$183,000	120	\$350,000
Other Supplementals and Rescissions	0	\$0	0	\$0	0	\$0
Appropriation, Revised	0	\$0	0	\$0	0	\$0
Comparative Transfer To:	0	\$0	0	\$0	0	\$0
Comparative Transfer From:	0	\$0	0	\$0	0	\$0
Offsetting Collections From:						
Reimbursements (includes Fair Share funding)	0	\$2,685,221	0	\$2,761,449	0	\$2,775,348
Trust Funds	0	\$0	0	\$0	0	\$0
Fees	0	\$0	0	\$0	0	\$0
A.2) Subtotal	0	\$2,685,221	0	\$2,761,449	0	\$2,775,348
B. Gross Budget Authority	127	\$2,872,221	120	\$2,944,449	120	\$3,125,348
Offsetting Collections						
Deduction: (all entries are negative)	0	-\$23,759	0	\$0	0	\$0
Reimbursements	0	\$0	0	\$0	0	\$0
Fees	0	\$0	0	\$0	0	\$0
Unobligated Balance	0	\$535,079	0	\$491,941	0	\$423,490
B.1) Subtotal	127	\$535,079	120	\$491,941	120	\$423,490
C. Budget Authority Before Committee	127	\$3,383,541	120	\$3,436,390	120	\$3,548,838
Before Committee	0	\$0	0	\$0	0	\$0
Offsetting Collections From:						
Reimbursements	0	\$0	0	\$0	0	\$0
Fees	0	\$0	0	\$0	0	\$0
IT Crosscut	0	\$0	0	\$0	0	\$0
C.1) Subtotal	0	\$0	0	\$0	0	\$0
D. Total Budgetary Resources	127	\$3,383,541	120	\$3,436,390	120	\$3,548,838
Other Unobligated Balances	0	-\$491,941	0	-\$423,490	0	-\$511,490
Unobligated Balance Expiring	-7	\$0	0	\$0	0	\$0
E. Total, Estimated Obligations	120	\$2,891,600	120	\$3,012,900	120	\$3,037,348

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SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2011 Estimate	FY 2012 Request	Net Change
Budget Authority			
General Funds	183,000	350,000	167,000
Offsetting Collections (including Fair Share)	2,761,449	2,775,348	13,899
Fair Share Administrative Expense (non-add)	58,120	59,488	1,368
Carryover from previous year	491,941	423,490	-68,451
Total - includes rescissions & transfers	3,436,390	3,548,838	112,448

Full Time Equivalents

General Funds	120	120	0
Total	120	120	0

Explanation of Change	FY 2011 Base		Trust Funds		FY 2012 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	120	\$7,481	0	\$0	0	\$0	0	\$0
Personnel benefits	0	\$1,465	0	\$0	0	\$0	0	\$0
Employee health benefits	0	\$480	0	\$0	0	\$0	0	\$0
Moving allowance	0	\$0	0	\$0	0	\$0	0	\$0
One day less of Pay	0	\$0	0	\$0	0	\$0	0	\$0
Federal Employees Compensation Act (FECA)	0	\$0	0	\$0	0	\$0	0	\$0
Benefits for former personnel	0	\$0	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$21	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$2,357	0	\$0	0	\$168	0	\$168
All Other Rental	0	\$0	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$137	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$14	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$0	0	\$0	0	\$0	0	\$0
Other services	0	\$18,645	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$1,136	0	\$0	0	\$0	0	\$0
Other government accounts (Census Bureau)	0	\$0	0	\$0	0	\$0	0	\$0
Other government accounts (DHS Charges)	0	\$174	0	\$0	0	\$0	0	\$0
Other purchases of goods and services from Government accounts	0	\$12	0	\$0	0	\$0	0	\$0
Research & Development Contracts	0	\$0	0	\$0	0	\$0	0	\$0

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Explanation of Change	FY 2011 Base		Trust Funds		FY 2012 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Operation and maintenance of facilities	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$24,683	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$48	0	\$0	0	\$0	0	\$0
Equipment	0	\$1,467	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$183,000	0	\$0	0	\$167,000	0	\$167,000
Built-Ins Subtotal	120	+\$241,120	0	\$0	0	+\$167,168	0	+\$167,168
B. Programs:								
Provide for Policy Review and Conversion of the iFECS Case Management System to ICD-10-CM	0	\$0	0	\$0	0	\$1,200	0	\$1,200
Programs Subtotal			0	\$0	0	+\$1,200	0	+\$1,200
C. Financing:								
Change in Offsetting Benefit Collections	0	\$2,703,329	0	\$0	0	\$12,531	0	\$12,531
Financing Subtotal		\$2,703,329	0	\$0	0	+\$12,531	0	+\$12,531
Total Increase	120	+\$2,944,449	0	\$0	0	+\$180,899	0	+\$180,899
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	\$0	0	\$0	0	\$0	0	\$0
B. Programs:								
Programs Subtotal			0	\$0	0	\$0	0	\$0
C. Financing:								
Change in Carryover from FY 2011	0	\$491,941	0	\$0	0	-\$68,451	0	-\$68,451
Financing Subtotal		\$491,941	0	\$0	0	-\$68,451	0	-\$68,451
Total Decrease	0	\$491,941	0	\$0	0	-\$68,451	0	-\$68,451
Total Change	120	+\$3,436,390	0	\$0	0	+\$112,448	0	+\$112,448

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY

(Dollars in Thousands)

	FY 2010		FY 2011		FY 2012			
	Comparable		Estimate		Current Law		Legislative Proposal	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Federal Employees' Compensation Act Benefits	0	2,603,324	0	2,703,329	0	2,715,860	0	-9,432
Offsetting Benefits Collections	0	2,603,324		2,703,329		2,715,860		-9,432
FECA Fair Share	120	58,120	120	58,120	120	59,488	0	0
General Funds	120	58,120	120	58,120	120	59,488	0	0
Federal Employees' Compensation Act Appropriation	0	184,000	0	180,000	0	347,000	0	-568
General Funds	0	184,000	0	180,000	0	347,000	0	-568
Longshore and Harbor Workers' Compensation Benefits	0	3,000	0	3,000	0	3,000	0	0
General Funds	0	3,000	0	3,000	0	3,000	0	0
Total	120	2,848,444	120	2,944,449	120	3,125,348	0	-10,000
General Funds	120	2,848,444	120	2,944,449	120	3,125,348	0	-10,000

NOTE: FY 2010 reflects actual FTE.

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BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Comparable	FY 2011 Estimate	FY 2012 Request	Change FY 12 Req. / FY 10 Comp.
	Full-Time Equivalent				
	Full-time Permanent	127	120	120	-7
	Total	127	120	120	-7
	Reimbursable	0	0	0	0
	Total Number of Full-Time Permanent Positions	127	120	120	-7
	Average ES Salary	\$155,450	\$155,450	\$155,450	\$0
	Average GM/GS Grade	12/5	12/5	12/5	0
	Average GM/GS Salary	\$85,607	\$85,607	\$85,607	\$0
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	10,467	7,220	7,220	-3,247
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	315	261	261	-54
11.9	Total personnel compensation	10,782	7,481	7,481	-3,301
12.1	Civilian personnel benefits	2,804	1,945	1,945	-859
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	57	21	21	-36
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,357	2,357	2,525	168
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	180	137	137	-43
24.0	Printing and reproduction	14	14	14	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services	16,921	18,645	18,645	1,724
25.3	Other purchases of goods and services from Government Accounts	1,148	1,322	1,322	174
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	22,525	24,683	25,883	3,358
26.0	Supplies and materials	40	48	48	8
31.0	Equipment	1,292	1,467	1,467	175
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	2,790,324	2,886,329	3,065,860	275,539
	Total	2,848,444	2,944,449	3,125,348	164,368
	1/Other Purchases of Goods and Services From Government Accounts				
	Working Capital Fund	1,136	1,136	1,136	0
	DHS Services	0	174	174	174
	GSA Services	12	12	12	0

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TOTAL BUDGETARY RESOURCES												
FY 2010 - 2012												
(Dollars in Thousands)												
	FY 2010 Comparable				FY 2011 Estimate				Legislative Proposal			
	Activity Approp.	Other Approp. ¹	Other Resrcs. ²	Total	Activity Approp.	Other Approp. ¹	Other Resrcs. ²	Total	Activity Approp.	Other Approp. ¹	Other Resrcs. ²	Total
Special Benefits	245,120	0	2,603,324	2,848,444	241,120	0	2,703,329	2,944,449	409,488	0	2,715,860	3,125,348
FECA Fair Share	58,120	0	2,603,324	2,661,444	58,120	0	2,703,329	2,761,449	59,488	0	2,715,860	2,775,348
Longshore and Harbor Workers' Compensation Benefits	3,000	0	0	3,000	3,000	0	0	3,000	3,000	0	0	3,000
Federal Employees' Compensation Act Appropriation	184,000	0	0	184,000	180,000	0	0	180,000	347,000	0	0	347,000
Total	245,120	0	2,603,324	2,848,444	241,120	0	2,703,329	2,944,449	409,488	0	2,715,860	3,125,348

¹ "Other Appropriation" is comprised of resources appropriated elsewhere, but for which the benefits accrue toward the operation of the budget activities. (Executive Direction and IT Crosscut)

² "Other Resources" include funds that are available for a budget activity, but not appropriated, such as reimbursements and fees.

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PERFORMANCE STRUCTURE

Strategic and Outcome Goals Supporting Secretary Solis' Vision of <i>Good Jobs for Everyone</i>	Supporting Budget Activities
Strategic Goal 1 – Prepare Workers for Good Jobs and Ensure Fair Compensation	
1.1 Increase workers' incomes and narrowing wage and income inequality.	
1.2 Assure skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs.	
1.3 Help workers who are in low-wage jobs or out of the labor market find a path into middle class jobs.	
1.4 Help middle-class families remain in the middle class.	
1.5 Secure wages and overtime.	
1.6 Foster acceptable work conditions and respect for workers' rights in the global economy to provide workers with a fair share of productivity and protect vulnerable people.	
Strategic Goal 2 – Ensure Workplaces Are Safe and Healthy	
2.1 Secure safe and healthy workplaces, particularly in high-risk industries.	
Strategic Goal 3 – Assure Fair and High Quality Work-Life Environments	
3.1 Break down barriers to fair and diverse work places so that every worker's contribution is respected.	
3.2 Provide workplace flexibility for family and personal care-giving.	
3.3 Ensure worker voice in the workplace.	
Strategic Goal 4 – Secure Health Benefits and, for Those Not Working, Provide Income Security	
4.1 Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work.	X
4.2 Ensure income support when work is impossible or unavailable.	X
4.3 Improve health benefits and retirement security for all workers.	
Strategic Goal 5 – Assure the Production of Timely and Accurate Data on Social and Economic Conditions of Workers and their Families	
5.1 Provide sound and impartial information on labor market activity, working conditions, and price changes in the economy for decision making, including support for the formulation of economic and social policy affecting virtually all Americans.	

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SIGNIFICANT ITEMS IN APPROPRIATION COMMITTEES' REPORTS

S. Report 111-66 Page 25	The Committee recommends continuation of appropriation language that provides authority to use the FECA fund to reimburse a new employer for a portion of the salary of a newly re-employed injured Federal worker.	ESA
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AUTHORIZING STATUTES

Public Law / Act	Legislation	Statute No. / US Code	Volume No.	Page No.	Expiration Date
P.L. No. 267, 39 Stat. 742	Federal Employees' Compensation Act approved September 7, 1916	5 U.S.C. 8101 et seq.			N/A
P.L. 77-784	War Hazards Compensation Act of 1942	42 U.S.C. 1701			N/A
P.L. 80-896	War Claims Act of 1948	50 U.S.C. 2001-30013			N/A
P.L. 69-803	Longshore and Harbor Workers' Compensation Act, approved March 4, 1927, section 44(a) and 44(j)	33 U.S.C. 901			N/A

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APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2002	\$124,000	\$124,000	\$124,000	\$124,000	124
2003	166,000	166,000	166,000	166,000	133
2004	166,000	166,000	166,000	166,000	133
2005	236,000	236,000	236,000	236,000	128
2006	240,000	240,000	240,000	240,000	127
2007	230,000	230,000	230,000	230,000	127
2008	203,000	203,000	203,000	203,000	127
2009	163,000	0	163,000	163,000	127
2010	187,000	187,000	187,000	187,000	127
2011	183,000	0	0	0	120
2012	350,000	0	0	0	120

A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

SPECIAL BENEFITS

OVERVIEW

Introduction

The Special Benefits fund, administered by the Office of Workers' Compensation Programs (OWCP), comprises two accounts representing obligations for benefits under the Federal Employees' Compensation Act (FECA), as amended, with extensions, and the Longshore and Harbor Workers' Compensation Act, as amended, with extensions. The requested funding provides resources necessary to meet required payments for compensation, medical costs, vocational rehabilitation, and other benefits made to eligible claimants or their survivors as mandated by each of the Acts. Under extensions of FECA, benefits are also paid to certain groups such as War Hazards, non-Federal law enforcement officers, Job Corps enrollees, and certain Federally-supported volunteers.

Section 10(h) of the amended Longshore and Harbor Workers' Compensation Act (Longshore) authorized annual adjustments in compensation to beneficiaries in cases of permanent total disability or death occurring on or prior to October 27, 1972, with the Federal Government paying half the costs of the annual increase for compensating those cases. Direct appropriation provides the necessary resources to meet the required annual increase in benefits for the Federal share of the costs for compensation and related benefits for the pre-1972 cases. The remaining 50 percent of the compensation is paid by private insurance companies and/or employers.

Special Benefit (SB) Fund resources support achievement of the Secretary's vision of "*good jobs for everyone*", and Outcome Goals 4.1: Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work, and 4.2: Ensure income support when work is impossible or unavailable.

"Fair Share" assessments are legally mandated under Section 8147(c) of the FECA. Annual collection of these funds results in 23 non-appropriated agencies, like the Postal Service, paying a pro rata share for OWCP's cost to administer FECA claims filed by their employees. The estimate of collections in FY 2012 is \$70,300,000.

Legislative Reform

The Department of Labor has proposed legislation entitled "Federal Injured Employees Reemployment Act (FIERA)". Ten-year projected net cost savings of the reform is over \$411,000,000. The reform will standardize FECA benefit rates, including establishing a "conversion benefit" for beneficiaries at the age of retirement; provide additional benefits; and enable recovery of particular costs. The proposed legislation also contains conforming amendments and administrative improvements to the legislation.

The proposal will also amend Section 8147 of the FECA to enable payments from the Employees' Compensation Fund for program administrative expenses and to require all Federal agencies to pay, through the current Chargeback system, their share of costs associated with FECA program administration. Under current law (FECA Regulations Section 8147 (c)), certain

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(non-appropriated) agencies, such as the United States Postal Service, are already being billed for their “Fair Share” of FECA program administration.

Through these activities, DFEC would ensure broad, consistent and accurate presentation of FIERA’s policy and procedural changes to stakeholders; better assurance that the changes are understood and implemented properly and that conformance to the new requirements is universal; and that overall implementation of the Act is timely and efficient.

Implementation of FIERA will require DFEC to conduct the following activities:

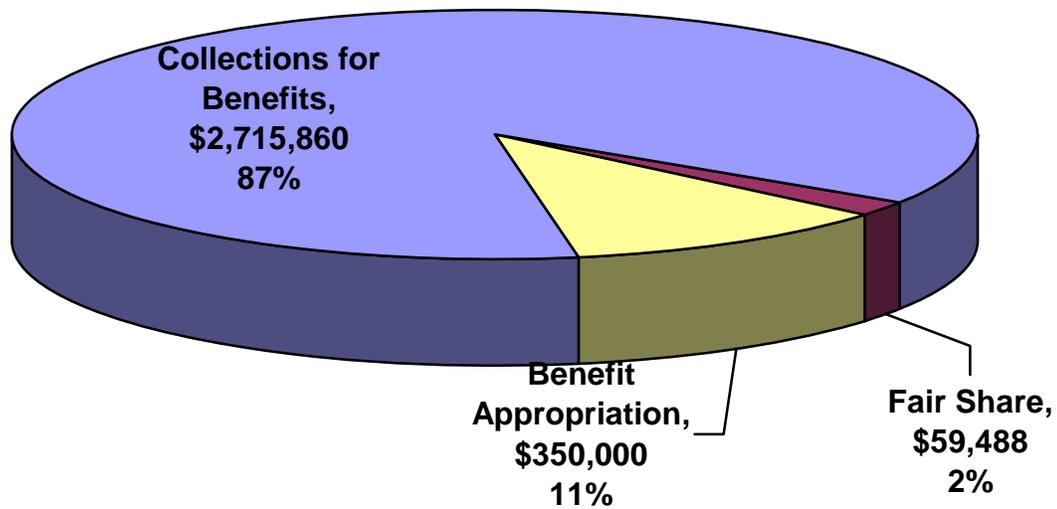
- Training workshops for DFEC supervisors, who would, in turn, train their employees in the district offices.
- Assistance and publicity in the form of outreach seminars in the OWCP regional cities to publicize and educate DFEC stakeholders on the FIERA changes; Stakeholders include Federal agency workers’ compensation and human resources specialists; Federal employee unions; and Congressional staff;
- Development of marketing tools for stakeholders (videos, presentations, publications, etc.); and
- Requirements analysis and programming changes to the iFECS claims data system.

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Cost Model

Total new budget authority requested for Special Benefits in FY 2012 is \$3,125,348,000 and 120 FTE, including a direct appropriation of \$347,000,000 for FECA and \$3,000,000 for Longshore Harbor Workers' benefits. The direct appropriation for FECA is an increase of \$160 million over the FY 2010 enacted level. The request also includes \$2,775,348,000 in offsetting benefit collections and \$59,488,000 of the FY 2012 Fair Share collections to support the Periodic Roll Management and Medical Bill Review activities, the centralized mail intake and medical bill processing operations, and DFEC automated system operations. Obligations for FECA benefits are projected to be \$3,037,012,000.

FY 2012 Budget Request
Special Benefits Budget Request \$3,125,348
(Dollars in Thousands)



FEDERAL EMPLOYEES' COMPENSATION

BUDGET AUTHORITY BEFORE THE COMMITTEE							
(Dollars in Thousands)							
	FY 2010 Comparable	FY 2011 Full Year C.R.	FY 2011 Estimate	Diff. FY11 Est / FY10 Comp.	FY 2012		Diff. FY12 Curr. Law / FY10 Comp.
					Current Law	Legislative Proposal	
Budget Authority	58,120	58,120	58,120	0	59,488	0	1,368
FTE	120	120	120	0	120	0	0

NOTE: FY 2010 reflects actual FTE. Authorized FTE for FY 2010 was 127

Introduction

The Federal Employees' Compensation Act (FECA) provides for payment of benefits to Federal civilian employees of the United States who are disabled as a result of injury or illness sustained in the performance of duty, and to the dependents of disabled employees in case of death resulting from such injury or illness. Under extensions of FECA, benefits also are paid to certain groups such as War Hazards Compensation Act claimants, non-Federal law enforcement officers, Job Corps enrollees, and certain Federally-supported volunteers.

The FY 2012 Budget Request includes an investment that will enable conversion of our medical bill processing operation to the new International Classification of Diseases standard, ICD-10, mandated by the Department of Health and Human Services.

The principal costs of the program are compensation benefits for disability and death and medical expenses. Factors influencing the cost of compensation benefits and medical expenses include the number of covered employees (including, with respect to War Hazards Compensation, the number of contracted employees in war zones overseas); the wage levels on which compensation is based; the severity and frequency of injuries; the average length of disability; the cost of medical care; cost-of-living changes based on changes in the Consumer Price Index (CPI); and the number of employees choosing this compensation instead of using sick or annual leave. Most beneficiaries receive payments on a four-week cycle based on a program year beginning July 1, so there are thirteen payments made during a fiscal year under normal circumstances.

Fair Share funding provides operation and maintenance of the Integrated Federal Employees' Compensation System (iFECS) and the document imaging system; centralized mail intake and centralized medical bill processing; maintenance of DFEC's telecommunications system; and FTE for Medical Bill Review (MBR) and Periodic Roll Management (PRM).

DFEC's data systems support the efficiency and accuracy of claims and payment processing, effective disability case management, the responsiveness of information services, and strengthened performance evaluation and accountability.

FEDERAL EMPLOYEES' COMPENSATION

Review and processing of medical bills and authorization of medical procedures ensure that medical treatment is appropriate and delivered timely while maintaining strict controls over benefit expenditures.

PRM identifies workers who have recovered from injury or whose disability has lessened for return-to-work assistance. Regular review of cases also ensures the continuation of proper income support and medical services that support the economic position and physical health of those with long-term disabilities. Adjustments or termination of benefits resulting from PRM review produces approximately \$14 million in first year compensation benefit savings annually.

Five-Year Budget Activity History

Fiscal Year	Appropriation	Fair Share Funding	FTE
2007	224,000	51,034	127
2008	200,000	52,280	127
2009	160,000	52,720	127
2010	184,000	58,120	127
2011	0	0	0

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

FY 2012

Total new budget authority requested for Special Benefits in FY 2012 is \$3,125,348,000 and 120 FTE, including a direct appropriation of \$347,000,000 for FECA and \$3,000,000 for Longshore Harbor Workers' benefits. The direct appropriation for FECA is an increase of \$160 million over the FY 2010 enacted level. The request also includes \$2,775,348,000 in offsetting benefit collections and \$59,488,000 of the FY 2012 Fair Share collections to support the Periodic Roll Management and Medical Bill Review activities, the centralized mail intake and medical bill processing operations, and DFEC automated system operations. Obligations for FECA benefits are projected to be \$3,037,012,000.

The request includes a \$160 million increase in direct appropriations for FECA to cover increases in the difference in projected benefit obligations versus offsetting collections in FY 2012, including increases in War Hazards Act costs and increases in the Government's share of health insurance premiums for FECA beneficiaries. War Hazards claims are projected to increase by ten percent over FY 2011 and reflect the nation's increasing activity in Iraq and Afghanistan over the past decade. Government health insurance premium increases of approximately seven percent mirror increases in the health care industry.

The request also provides an additional funding of \$1,200,000 to provide for the conversion of the iFECS Case Management System to the new HIPPA International Classification of Diseases standard, ICD-10 mandated by the Department of Health and Human Services. The ICD coding scheme is used by OWCP to identify medical conditions accepted in workers compensation and by the health care industry for delivery of services to our claimants.

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DFEC will continue its PRM strategy to service cases with longer-term or permanent disabilities in an effort to assess continued eligibility for benefits and reduce compensation benefit costs. Request Level activities in FY 2012 will take advantage of consolidation of data processing and work processes and continuation of modernization of DFEC's IT, centralized mail intake and document imaging, and centralization of medical bill processing systems. Continuing system enhancements are improving case management activities, including processes for early identification of cases for nurse case management services which can shorten disability periods and increase the success of return to work.

Challenges remain in DFEC to improve customer service delivery and this will be supported by further automating or consolidating workload processes and expanding access to case and cost information for claimants and Federal agencies. DFEC's web-based application (ECOMP) will enable injured workers to electronically file claim forms for new injuries and wage loss and allow all stakeholders (medical providers, agencies and injured workers) to upload documents directly into the case file making them immediately available to the claims staff. Electronic capture of information from these documents eliminates the need to manually enter the data and this efficiency reduces overall costs, as well as speeding communication between the parties and increasing claimants' and employing agencies' access to the system. Deployment of the new interactive voice response (IVR) system will provide claimants with greater access to OWCP claims staff as well offer self-help features that will provide timely case status information.

Centralized bill processing, strengthened review of treatment authorization requests, fee schedules; and stronger automated edits and other controls have increased OWCP's medical cost control success. In FY 2010, the rate of increase in average FECA medical benefit payments rose by 6.2% -- below the national average of 7.2% as projected by the Milliman USA Health Cost Index. The rate of growth in average FECA medical case costs has consistently remained below the growth rate in nationwide costs. FECA's lower growth rate, compared to Milliman, is equivalent to nearly \$19,000,000 annually in lower medical treatment costs since FY 2005.

FY 2011

Figures shown for FY 2011 reflect the annualized Continuing Resolution level as a full-year appropriation was not enacted by the time the budget was produced.

FY 2010

Total obligations in FY 2010 for Special Benefits were \$2,891,668,000 including \$2,889,600,000 for FECA benefits and Fair Share administration and \$2,068,000 for Longshore and Harbor Workers' Compensation benefits. Offsetting collections from Federal agencies were \$2,661,462,000.

Fair Share administrative funding supported Periodic Roll Management resulting in formal review of over 3,800 cases for changes of medical condition and potential for return-to-work. PRM cases actions produced \$14.2 million in compensation benefit savings. Funding also

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supported centralized processing of over 5,000,000 medical bills and nearly 191,000 requests for medical services authorization.

In FY 2010, DFEC continued improvement of basic business processes and enhance efficiency and productivity through improved automation, taking advantage of the capabilities of its Integrated Federal Employees' Compensation System (iFECS). Activities included technical upgrades and centralization of the Interactive Voice Response system to improve access for customers and more efficient call handling; development of a Web-based ("E-COMP") portal to allow interactive access such that agencies can file claim forms directly to the claim file, and claimants and providers can also electronically submit evidence, inquiries, etc. that will be uploaded directly to the appropriate file; and consolidation to increase the efficiency of case creation operations.

FEDERAL EMPLOYEES' COMPENSATION

DETAILED WORKLOAD AND PERFORMANCE				
	FY 2010 Enacted		FY 2011 Estimate	FY 2012 Request
	Target	Result	Target	Target
FECA Fair Share				
Periodic Roll Savings				
Annual new PRM savings	\$14,000,000.00	\$14,200,000.00	\$9,000,000.00	\$9,000,000.00
Five-year cumulative projected savings	\$84,000,000.00	\$84,000,000.00	\$54,000,000.00	\$54,000,000.00
Output and Performance Measures				
PRM Universe Cases	34,000	35,200	36,000	37,000
PRM Final Resolutions	2,600	3,860	1,760	1,760
Average count of Long-term Cases Being Paid Compensation	48,980	48,980	48,500	48,500
Compensation and Medical Payments Processed	5,750,000	5,176,571	5,200,000	5,200,000
Strategic Goal 4 - Secure health benefits and, for those not working, provide income security.	--	--	--	--
Outcome Goal 4.1 - Facilitate return to work for workers experiencing workforce injuries or illnesses who are able to work.	--	--	--	--
Outcome Goal 4.2 - Ensure income support when work is impossible or unavailable.	--	--	--	--

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined
Footnote:

Periodic Payment Cases includes all long-term disability and fatality cases;
Medical bills processed include both those approved and denied for payment;
PRM Resolutions do not include routine case actions required by death of beneficiary.

Workload Summary

Of the approximately 14,000 cases new cases receiving Disability Management assistance from FECA, between ten and fifteen percent will have medical or job placement limitations significant enough that they will still have not returned to work after two years from their date of injury. These cases typically end up under FECA's Periodic Roll Management activity for long-term monitoring.

In FY 2012, FECA will continue PRM to review long-term disability cases and verify their continued entitlement to benefits and potential for return to work or referral to Vocational Rehabilitation. Professional services for Vocational Rehabilitation, including counseling and training, are funded by the Special Benefits account. PRM reviews in FY 2010 exceeded 3,800, resulting in over 1,200 benefit adjustment or termination actions which produced \$14,200,000 in FECA compensation benefit savings.

FEDERAL EMPLOYEES' COMPENSATION

Identification through PRM of cases with potential for vocational rehabilitation and return to work support DOL's Model Workplace High Priority Performance Goal and the OWCP-OSHA POWER initiative to increase Federal agency reemployment of their injured workers.

Several factors are creating a need by DFEC to shift resources from PRM to management of new cases with more severe or recurrence injuries. Those latter cases have increased due to the Postal Service's National Reassessment Project which has reduced limited duty positions and reduced employment overall by that agency. Postal Service case numbers in this category have already been increasing. In addition, facilities closings and relocations by the Department of Defense also have potential to have the same effect on FECA case management workloads. To address these increases, DFEC will reallocate resources from PRM review by better strategizing management of the PRM workloads, for example, concentrating selection of cases for intensive review to those most likely to be in a posture to benefit from vocational rehabilitation and job placement assistance.

FEDERAL EMPLOYEES' COMPENSATION

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Comparable	FY 2011 Estimate	FY 2012 Request	Change FY 12 Req. / FY 10 Comp.
11.1	Full-time permanent	10,467	7,220	7,220	-3,247
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	315	261	261	-54
11.9	Total personnel compensation	10,782	7,481	7,481	-3,301
12.1	Civilian personnel benefits	2,804	1,945	1,945	-859
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	57	21	21	-36
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	2,357	2,357	2,525	168
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	180	137	137	-43
24.0	Printing and reproduction	14	14	14	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services	16,921	18,645	18,645	1,724
25.3	Other purchases of goods and services from Government Accounts	1,148	1,322	1,322	174
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	22,525	24,683	25,883	3,358
26.0	Supplies and materials	40	48	48	8
31.0	Equipment	1,292	1,467	1,467	175
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	58,120	58,120	59,488	1,368
1/Other Purchases of Goods and Services From Government Accounts					
	Working Capital Fund	1,136	1,136	1,136	0
	DHS Services	0	174	174	174
	GSA Services	12	12	12	0

FEDERAL EMPLOYEES' COMPENSATION

CHANGES IN FY 2012

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
Employee health benefits	0
Moving allowance	0
One day less of Pay	0
Federal Employees Compensation Act (FECA)	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	168
All Other Rental	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services	0
Working Capital Fund	0
Other government accounts (Census Bureau)	0
Other government accounts (DHS Charges)	0
Other purchases of goods and services from Government accounts	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

Built-Ins Subtotal **\$168**

Net Program **\$1,200**

Direct FTE **0**

	Estimate	FTE
Base	\$58,288	120
Program Increase	\$1,200	0

LONGSHORE AND HARBOR WORKERS' COMPENSATION

BUDGET AUTHORITY BEFORE THE COMMITTEE							
(Dollars in Thousands)							
	FY 2010 Comparable	FY 2011 Full Year C.R.	FY 2011 Estimate	Diff. FY11 Est / FY10 Comp.	FY 2012		Diff. FY12 Curr. Law / FY10 Comp.
					Current Law	Legislative Proposal	
Budget Authority	3,000	3,000	3,000	0	3,000	0	0
FTE	0	0	0	0	0	0	0

Introduction

Section 10(h) of the amended Longshore and Harbor Workers' Compensation Act (LHWCA) authorized annual adjustments in compensation to beneficiaries in cases of permanent total disability or death occurring on or prior to October 27, 1972, with the Federal Government paying half the costs of the annual increase for compensating those cases. Direct appropriation provides the necessary resources to meet the required annual increase in benefits for the Federal share of the costs for compensation and related benefits for the pre-1972 cases. The remaining 50 percent of the compensation is paid by private insurance companies and/or employers.

Income support for those unable to work is ensured through proper adjudication, efficient case processing, and accurate and timely payment of benefits. All program resources support mission critical functions, which in turn support the Secretary's vision of "good jobs for everyone" and the Department's outcome goal of "ensuring income support when work is impossible or unavailable."

FY 2012

Total new budget authority requested for Special Benefits in FY 2012 is \$3,125,348,000 and 120 FTE, including a direct appropriation of \$347,000,000 for FECA and \$3,000,000 for Longshore Harbor Workers' benefits. The direct appropriation for FECA is an increase of \$160 million over the FY 2010 enacted level. The request also includes \$2,775,348,000 in offsetting benefit collections and \$59,488,000 of the FY 2012 Fair Share collections to support the Periodic Roll Management and Medical Bill Review activities, the centralized mail intake and medical bill processing operations, and DFEC automated system operations. Obligations for FECA benefits are projected to be \$3,037,012,000.

FY 2011

Figures shown for FY 2011 reflect the annualized Continuing Resolution level as a full-year appropriation was not enacted by the time the budget was produced.

FY 2010

In FY 2010, the Federal share of required payments will be \$3,000,000, which will include the increase necessary for the annual October weekly wage adjustment.

LONGSHORE AND HARBOR WORKERS' COMPENSATION

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2007	\$3,000	0
2008	\$3,000	0
2009	\$3,000	0
2010	\$3,000	0
2011	\$0	0

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

The Longshore and Harbor Workers' Compensation Act, as amended, provides protection to approximately 500,000 workers for injuries or occupational diseases occurring during the course of covered employment. Section 10(h) of the Act authorizes annual adjustments in compensation to beneficiaries in cases of permanent total disability or death occurring on or prior to October 27, 1972, with the Federal Government paying half the costs of the annual increase for compensating those cases. Direct appropriation provides the necessary resources to meet the required annual increase in benefits for the Federal share of the costs for compensation and related benefits for the pre-1972 cases. The remaining 50 percent of the compensation is paid by private insurance companies and/or employers.

Priority for this activity will be to continue providing prompt and accurate payment of compensation and related benefits to claimants. In FY 2012, the Federal share of required payments will be \$3,000,000 which will include the increase necessary for the annual October weekly wage adjustment.

LONGSHORE AND HARBOR WORKERS' COMPENSATION

CHANGES IN FY 2012

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Insurance claims and indemnities

\$0

Built-Ins Subtotal

\$0

Net Program

\$0

Direct FTE

0

Estimate

FTE

Base

\$3,000

0