

FY 2014

CONGRESSIONAL BUDGET JUSTIFICATION

SPECIAL BENEFITS

SPECIAL BENEFITS

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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, \$396,000,000, 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, 2013, 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, 2014: 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 \$60,017,000 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, \$19,499,000; (2) For automated workload processing operations, including, document imaging, centralized mail intake, and medical bill processing, \$22,968,000; (3) For periodic roll disability management and medical review, \$16,190,000; (4) For program integrity, \$1,360,000; and (5) 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 2013 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. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

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EXPLANATION OF LANGUAGE CHANGE

... (3) For periodic roll *disability* management and medical review;”

Explanation: The change more accurately characterizes the current activities of FECA periodic roll management as not only including ongoing maintenance of long-term disability cases but also the proactive review and evaluation of cases, and assistance to workers receiving long-term compensation benefits as their medical conditions change and have the potential for return to work.

... (4) For *program integrity*,”

Explanation: The change describes the program’s planned activities that will enhance FECA’s fiscal integrity through the identification of improper payment vulnerabilities and implementation of corrective actions.

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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, 2013, 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, 2013: . . . ”

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, \$60,017,000 shall be made available to the Secretary for automated systems operation and maintenance and for periodic roll disability management and medical review. The remaining funds shall be paid into the Treasury as miscellaneous receipts: . . . ”

It further provides that \$60,017,000 of those funds shall be made available to the Secretary of Labor for automated systems operation and maintenance and for periodic roll disability 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 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	119	\$350,000	109	\$396,000	114	\$396,000
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
Offsetting Collections From:						
Reimbursements (includes Fair Share funding)	0	\$2,881,629	0	\$2,985,868	0	\$3,001,967
Trust Funds	0	\$0	0	\$0	0	\$0
Fees	0	\$0	0	\$0	0	\$0
A.2) Subtotal	0	\$2,881,629	0	\$2,985,868	0	\$3,001,967
B. Gross Budget Authority	119	\$3,231,629	109	\$3,381,868	114	\$3,397,967
Offsetting Collections						
Deduction: (all entries are negative)	0	\$0	0	\$0	0	\$0
Reimbursements	0	\$0	0	\$0	0	\$0
Fees	0	\$0	0	\$0	0	\$0
Unobligated Balance	0	\$411,341	0	\$554,116	0	\$744,581
B.1) Subtotal	119	\$411,341	109	\$554,116	114	\$744,581
C. Budget Authority	119	\$3,642,970	109	\$3,935,984	114	\$4,142,548
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	119	\$3,642,970	109	\$3,935,984	114	\$4,142,548
Other Unobligated Balances	0	-\$554,116	0	-\$744,581	0	-\$831,121
Unobligated Balance Expiring	0	\$0	0	\$0	0	\$0
E. Total, Estimated Obligations	119	\$3,088,854	109	\$3,191,403	114	\$3,311,427

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SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2012 Revised Enacted	FY 2014 Request	Net Change
Budget Authority			
General Funds	\$3,231,629	\$3,397,967	+\$166,338
Total	\$3,231,629	\$3,397,967	+\$166,338

Full Time Equivalents			
General Funds	119	114	-5
Total	119	114	-5

Explanation of Change	FY 2012 Base		Trust Funds		FY 2014 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	0	\$0	0	\$0	0	\$0	0	\$0
Personnel benefits	0	\$0	0	\$0	0	\$0	0	\$0
Employee health benefits	0	\$0	0	\$0	0	\$0	0	\$0
Moving allowance	0	\$0	0	\$0	0	\$0	0	\$0
One day more of pay	0	\$0	0	\$0	0	\$0	0	\$0
Federal Employees' Compensation Act (FECA)	0	\$0	0	\$0	0	\$750	0	\$750
Benefits for former personnel	0	\$0	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$0	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$0	0	\$0	0	\$1,110	0	\$1,110
Rental payments to others	0	\$0	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$0	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$2	0	\$0	0	\$1	0	\$1
Advisory and assistance services	0	\$0	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$0	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$1,136	0	\$0	0	\$0	0	\$0
Other Federal sources (Census Bureau)	0	\$0	0	\$0	0	\$0	0	\$0
Other Federal sources (DHS Charges)	0	\$145	0	\$0	0	\$7	0	\$7
Other goods and services from Federal sources	0	\$61	0	\$0	0	\$5,444	0	\$5,444
Research & Development Contracts	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of facilities	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$0	0	\$0	0	\$0	0	\$0

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Explanation of Change	FY 2012 Base		Trust Funds		FY 2014 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Supplies and materials	0	\$53	0	\$0	0	\$19	0	\$19
Equipment	0	\$0	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$3,172,141	0	\$0	0	\$165,809	0	\$165,809
Built-Ins Subtotal	0	+\$3,173,538	0	\$0	0	+\$173,140	0	+\$173,140
B. Programs:								
FECA Integrity and Compliance Program	0	\$0	0	\$0	5	\$1,360	5	\$1,360
Programs Subtotal			0	\$0	5	+\$1,360	5	+\$1,360
Total Increase	0	+\$3,173,538	0	\$0	5	+\$174,500	5	+\$174,500
Decreases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	119	\$11,304	0	\$0	0	-\$267	0	-\$267
Personnel benefits	0	\$2,598	0	\$0	0	-\$257	0	-\$257
Employee health benefits	0	\$903	0	\$0	0	-\$89	0	-\$89
Travel and transportation of persons	0	\$54	0	\$0	0	-\$32	0	-\$32
Communications, utilities, and miscellaneous charges	0	\$232	0	\$0	0	-\$41	0	-\$41
Other services from non-Federal sources	0	\$18,647	0	\$0	0	-\$2,472	0	-\$2,472
Operation and maintenance of equipment	0	\$21,955	0	\$0	0	-\$2,753	0	-\$2,753
Equipment	0	\$2,398	0	\$0	0	-\$2,251	0	-\$2,251
Built-Ins Subtotal	119	+\$58,091	0	\$0	0	-\$8,162	0	-\$8,162
B. Programs:								
FTE Built-in Reduction	0	\$0	0	\$0	-10	\$0	-10	\$0
Programs Subtotal			0	\$0	-10	\$0	-10	\$0
Total Decrease	119	+\$58,091	0	\$0	-10	-\$8,162	-10	-\$8,162
Total Change	119	+\$3,231,629	0	\$0	-5	+\$166,338	-5	+\$166,338

NOTE: FY 2012 reflects actual FTE; the FY 2014 FTE request builds from the FY 2012 actual onboard staffing level.

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY								
(Dollars in Thousands)								
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014			
					Current Law		Legislative Proposal	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
FECA Fair Share	119	59,488	109	59,488	114	60,017	0	0
General Funds	119	59,488	109	59,488	114	60,017	0	0
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
Federal Employees' Compensation Act Benefits	0	2,822,141	0	2,926,380	0	2,941,950	0	-9,000
General Funds	0	2,822,141	0	2,926,380	0	2,941,950	0	-9,000
Federal Employees' Compensation Act Appropriation	0	347,000	0	393,000	0	393,000	0	0
General Funds	0	347,000	0	393,000	0	393,000	0	0
Total	119	3,231,629	109	3,381,868	114	3,397,967	0	-9,000
General Funds	119	3,231,629	109	3,381,868	114	3,397,967	0	-9,000

NOTE: FY 2012 reflects actual FTE.

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BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
	Full-Time Equivalent				
	Full-time Permanent	119	109	114	5
	Total	119	109	114	5
	Average ES Salary	\$155,450	\$156,227	\$157,008	\$1,558
	Average GM/GS Grade	12/6	12/6	12/6	0
	Average GM/GS Salary	\$87,904	\$88,384	\$88,825	\$921
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	11,192	11,059	11,162	-30
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	112	79	111	-1
11.9	Total personnel compensation	11,304	11,138	11,273	-31
12.1	Civilian personnel benefits	3,501	4,033	3,974	473
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	54	22	22	-32
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	1,110	1,110	1,110
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	232	191	191	-41
24.0	Printing and reproduction	2	3	3	1
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	18,647	20,905	17,175	-1,472
25.3	Other goods and services from Federal sources 1/	1,342	6,754	6,819	5,477
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	21,955	15,119	19,202	-2,753
26.0	Supplies and materials	53	72	84	31
31.0	Equipment	2,398	141	164	-2,234
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	3,172,141	3,322,380	3,337,950	165,809
51.1	Benefits	0	0	0	0
	Total	3,231,629	3,381,868	3,397,967	166,338
	1/Other goods and services from Federal sources				
	CIGIE	0	0	26	26
	Working Capital Fund	1,136	1,136	1,136	0
	DHS Services	145	8	152	7
	Services by DOL Agencies	0	5,477	5,477	5,477
	GSA Services	61	2	2	-59
	Services by Other Government Departments	0	0	26	26

NOTE: FY 2012 reflects actual FTE.

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PERFORMANCE STRUCTURE

Strategic and Outcome Goals Supporting <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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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
2004					
Base Appropriation	\$163,000	\$239,000	\$239,000	\$163,000	133
Legislative Proposal	-\$8,000	\$240,000	\$240,000	\$0	0
2005					
Base Appropriation	\$233,000	\$233,000	\$233,000	\$233,000	128
Legislative Proposal	-\$30,000	\$200,000	\$200,000	\$0	0
2006					
Base Appropriation	\$237,000	\$3,000	\$163,000	\$237,000	127
Legislative Proposal	-\$17,000	\$184,000	\$184,000	\$0	0
2007					
Base Appropriation	\$230,000	\$183,000	\$183,000	\$227,000	127
Legislative Proposal	-\$3,000	\$0	\$347,000	\$0	0
2008					
Base Appropriation	\$203,000	\$3,000	\$3,000	\$203,000	127
Legislative Proposal	-\$9,000	\$0	\$0	\$0	0
2009					
Base Appropriation	\$163,000	\$0	\$3,000	\$163,000	127
Legislative Proposal	-\$10,000	\$0	\$0	\$0	0
2010					
Base Appropriation	\$187,000	\$3,000	\$3,000	\$187,000	127
2011					
Base Appropriation	\$183,000	\$3,000	\$3,000	\$183,000	113
Legislative Proposal	-\$10,000	\$0	\$0	\$0	0
2012					
Base Appropriation	\$350,000	\$0	\$3,000	\$350,000	109
Legislative Proposal	-\$10,000	\$0	\$0	\$0	0
2013					
Base Appropriation	\$396,000	\$0	\$0	\$396,000	109
Legislative Proposal	-\$13,000	\$0	\$0	\$0	0
2014					
Base Appropriation	\$396,000	\$0	\$0	\$0	0

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OVERVIEW

Introduction

Special Benefits (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.

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.

Spending authority is also provided for FECA program administration out of annual "Fair Share" collections. Historically, Fair Share assessments have been legally mandated under Section 8147(c) of the FECA of 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. In FY 2014, DFEC proposes to expand the Fair Share assessment to appropriated Federal agencies not currently subject to the assessment using authority provided through FECA Reform legislation proposed by the Department of Labor which will amend FECA Section 8147.

The FY 2014 Request includes a total Fair Share funding authority of \$60,017,000 for FECA program administration including \$1,360,000 and 5 FTE to identify areas of improper payment vulnerability and implement corrective actions.

The FY 2014 President's Budget again includes a legislative proposal to reform the Federal Employees' Compensation Act. The proposal recommends standardizing FECA benefit rates, establishing a "conversion benefit rate" for beneficiaries at the age of retirement, modernized benefits for burials and facial disfigurements, increased focus on return to work, data matching with the Social Security Administration, and recovery of particular costs. The proposal also authorizes DOL to add a surcharge for FECA program administration to the annual FECA Chargeback bills of appropriated Federal agencies not currently subject to the "fair share" assessment under Section

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8147c. Further, the proposal directs those agencies to include the Surcharge amounts in its annual budget estimates. Other DOL provisions would make FECA more equitable and easier to administer, improve FECA program management, and strengthen program integrity. Ten-year projected net cost savings of the Administration's proposal are estimated at \$533,000,000.

Also, during the First Session of the 112th Congress, both the House and the Senate (Homeland Security and Governmental Affairs Committee) passed bills to amend the FECA. The House version includes several provisions from the DOL proposal; however it is limited in terms of major changes to benefit levels and return to work initiatives. The Senate bill is primarily focused on reform of the U.S. Postal Service, but also includes FECA reform provisions.

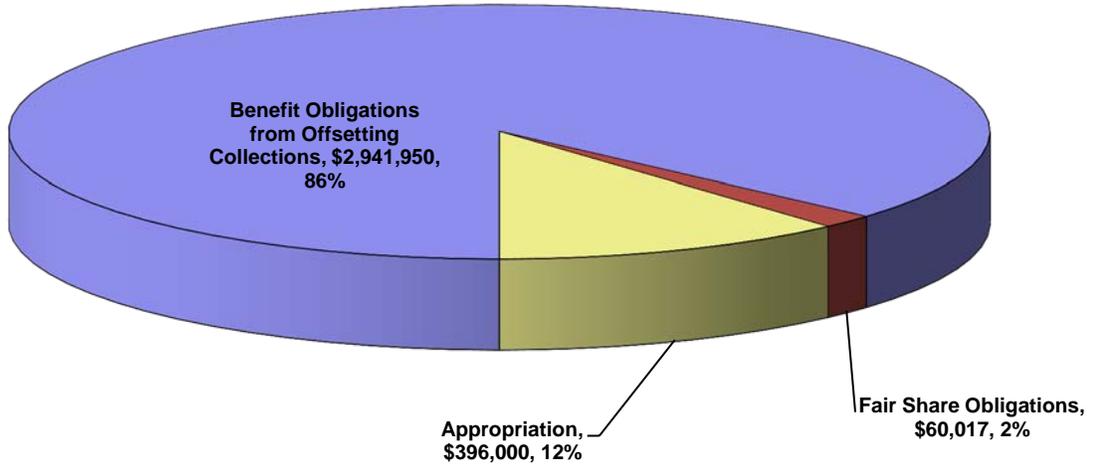
S. 1789's proposed changes to FECA are similar to the DOL proposal; however key elements are markedly different from the DOL proposal in several respects and significantly contrast the estimated cost/benefit outcomes of the proposals. First, key provisions relating to certain benefit level changes would be applied to FECA beneficiaries retrospectively, whereas the DOL proposal is prospective. Secondly, the new basic wage-loss compensation rate in S. 1789 is 66 2/3%, or 3 1/3 percentage points lower than the DOL proposed rate (70%). Also, S. 1789 would require OWCP to conduct tens of thousands of mandatory medical examinations and expand program integrity activities. These latter requirements will create a substantial increase in OWCP workloads and administrative costs.

Cost Model

Total new budget authority requested for Special Benefits in FY 2014 is \$3,397,967,000, including a direct appropriation of \$393,000,000 for FECA and \$3,000,000 for Longshore Harbor Workers' benefits, and \$3,002,000,000 in offsetting collections from Federal agencies, including \$2,941,950,000 for FECA benefits and \$60,017,000 for Fair Share expenditures. Total estimated obligations are \$3,311,427,000, including \$3,248,410,000 for FECA benefits; \$3,000,000 for Longshore and Harbor Workers' Compensation benefits; and \$60,017,000 in Fair Share funding for FECA program administration. Fair Share funding will provide resources for Program Integrity, Periodic Roll Management and Medical Bill Review activities, as well as providing funding for centralized mail intake and medical bill processing, and automated data system operations.

SPECIAL BENEFITS

FY 2014 Budget Request
Special Benefits Budget Request \$3,397,967
(Dollars in Thousands)



FEDERAL EMPLOYEES' COMPENSATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	59,488	59,488	60,017	529
FTE	119	109	114	-5

NOTE: FY 2012 reflects actual FTE

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 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.

DFEC requests a total of \$60,017,000 in Fair Share funding and 114 FTE in FY 2014 for FECA program administration. The request includes a program increase of \$1,360,000 and 5 FTE to establish a program unit to identify areas of improper payment vulnerability and implement corrective actions.

DFEC operations encompass claims adjudication and payment processing, Disability Management for return to work and Periodic Roll Management (PRM) of long-term disability cases. The automated medical bill processing services system, medical bill review and standard procedures for authorization of certain medical treatments ensure that medical care is appropriate and delivered timely while maintaining strict controls over benefit expenditures.

Funding for DFEC also provides for operation and maintenance of the Integrated Federal Employees' Compensation System (iFECS) and the document imaging system; centralized mail intake and case create functions; and maintenance of DFEC's telecommunications system. DFEC's data processing and communications systems provide essential support for claims, case management, and fiscal operations, and enable evaluations of program performance and accountability.

FEDERAL EMPLOYEES' COMPENSATION

Five-Year Budget Activity History (Dollars in Thousands)

Fiscal Year	Appropriation	Fair Share Funding	FTE
2009	\$163,000	\$52,117	127
2010	\$187,000	\$58,120	127
2011	\$183,000	\$58,364	113
2012	\$350,000	\$59,488	109
2013	\$396,000	\$59,488	109

FY 2014

The FY 2014 Request includes a total Fair Share funding authority of \$60,017,000 and 114 FTE for FECA program administration. Fair Share funding is provided through assessments made under FECA Section 8147c of the U.S. Postal Service and certain other non-appropriated agencies.

Fair Share funding at the FY 2014 Request Level provides for continuation of Periodic Roll Management (PRM) and Medical Bill Review activities as well as centralized mail intake and medical bill processing services, and automated data system operations. The request also consists of a program increase of \$1,360,000 and 5 FTE to strengthen FECA program integrity. Of this amount, \$1,000,000 is to fund a contract to develop a statistically valid methodology for estimating the FECA improper payment rate. The balance of the funding increase will establish an operations unit to identify areas of improper payment vulnerability and implementing corrective actions. The unit would also be responsible for developing management strategies for preventing improper payments that incorporates recommendations made by the General Accounting Office, Labor's Office of Inspector General, and others. DFEC will return to full improper payment measurement and reporting under Improper Payment Elimination and Recovery Act (IPERA) beginning FY 2015. DOL will enhance its payment recapture program for DFEC (as required under IPERA) to recover overpayments due to error or fraud in compensation payments; measure performance to improve payment accuracy; and coordinate the FECA program integrity efforts with DOL's Do Not Pay plan.

Performance priorities in the FECA program include initial claims processing of injury and illness claims, payment of compensation and medical benefits, delivery of services to facilitate return to work, and management of long-term disability cases under Periodic Roll Management (PRM). Currently, there are nearly 45,000 cases receiving compensation benefits for long-term disability. These injured Federal workers have typically sustained more severe injuries with longer recovery periods and have permanent impairments that require long term monitoring. In addition, PRM staff manages survivor benefits for 4,000 fatal cases. DFEC paid over \$2,100,000,000 in compensation benefits to these two groups in FY 2012.

Periodic Entitlement Reviews (PER) of periodic roll cases are conducted regularly by DFEC claims examiners to review medical evidence supporting continued entitlement to benefits and to identify cases where the level of disability has resolved or lessened and the individuals may benefit from vocational rehabilitation and have the potential to return to work. Verification of

FEDERAL EMPLOYEES' COMPENSATION

proper continuation of benefits through the PER process also reinforces the fiscal integrity of FECA program where evidence supports the adjustment or termination of benefits. DFEC implemented two new performance measures of PER productivity in FY 2012 to better support PER processing and ensure timely completion of the reviews. The first measure ensures that initial reviews are completed within 60 days and results in either: 1) closure without need for further development, or 2) designation for further development. The second measure ensures that actions on cases requiring further development are completed within 180 days.

FY 2014 Fair Share funding will also provide:

- Continuation of medical bill processing, case creation and mail intake service operations;
- Maintenance of the web-based application (ECOMP) to enable Federal employers and claimants to submit claims forms electronically and enable all stakeholders (medical providers, employing agencies and injured workers) to upload documents directly into the case file making them immediately available to FECA claims staff.
- Accessibility for employing agencies through DFEC's Internet site to general FECA program information, regulations, forms and publications, as well as case-specific information;
- Maintenance of the new interactive voice response (IVR) system to provide claimants with greater access to OWCP claims staff to answer questions as well offer self-help features that will provide timely case status information.
- Continued efforts to increase program efficiency and productivity by exploring business process and organizational design improvements and workload management innovations such as Telework and Flexiplace expansion.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

Total new budget authority for Special Benefits in FY 2012 was \$3,231,629,000 including a direct appropriation of \$347,000,000 for FECA and \$3,000,000 for Longshore Harbor Workers' benefits. Total offsetting collections from Federal agencies were \$2,822,141,000 including \$59,488,000 in Fair Share collections supporting the Periodic Roll Management and Medical Bill Review activities, the centralized mail intake and medical bill processing operations, and DFEC automated system operations.

Periodic Entitlement Reviews (PER) of long-term compensation benefit cases resulted in benefit adjustments or terminations in approximately 1,200 cases and produced \$14,300,000 in FECA compensation benefit savings in FY 2012. Those "first-year" savings also produce several times that amount in compounded savings in subsequent out-years.

FEDERAL EMPLOYEES' COMPENSATION

Customer service delivery improvements are being supported by automation and consolidation of workload processes. These projects will expand access to case and cost information for claimants and Federal agencies. DFEC's web-based application (ECOMP) is available to enable injured workers and their Federal employers 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 is providing callers to the program greater access to OWCP claims staff as well offering self-help features improving timely delivery of case status information.

FEDERAL EMPLOYEES' COMPENSATION

DETAILED WORKLOAD AND PERFORMANCE					
		FY 2012 Revised Enacted		FY 2013 Full Year C.R.	FY 2014 Request
		Target	Result	Target	Target
FECA Fair Share					
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 workplace injuries or illnesses who are able to work.					
Output and Performances Measures					
Periodic Roll Cases Being Paid - Long term disability		45,500[p]	45,000[e]	45,000[p]	44,000[p]
PRM Cases Being Paid - Fatal		4,500[p]	4,000	4,000[p]	4,000[p]
FEC 4a	Percent of PER Reviews closed or designated for further development within 60 days	90.00%	89.50%	90.00%	90.00%
FEC 4b	Percent of PER Reviews requiring development completed within 180 days	90.00%	83.20%	90.00%	90.00%
Periodic Roll Savings					
Annual new PRM savings		\$14,000,000.00	\$14,300,000.00	\$14,000,000.00	\$14,000,000.00
Five-year cumulative projected savings		\$84,000,000.00	\$85,800,000.00	\$84,000,000.00	\$84,000,000.00
Total		\$98,000,000.00	\$100,100,000.00	\$98,000,000.00	\$98,000,000.00

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined [p] - Projection

FEDERAL EMPLOYEES' COMPENSATION

Workload Summary

DFEC's Disability Management (DM) activity integrates the Quality Case Management (QCM), Periodic Roll Management (PRM), and Vocational Rehabilitation activities.

DM's performance focus is to assist newly injured Federal employees to return to work (coordinated between contract nurses and DFEC claims staff in the QCM phase) and, if return is unsuccessful, to continue to monitor the cases in the longer term (PRM phase).

PRM claims examiners, funded from the Special Benefits Fair Share account, have historically assumed management of disability cases only at the very late stages of QCM (approximately month 30 from QCM start). To make more effective use of claims staff and ensure continuity in services to injured workers, DFEC has been using PRM claims examiners more extensively and earlier in the timeline, including conducting regular review of medical evidence and assessment of return to work potential.

While approximately 90 percent of injured workers who file for FECA wage-loss benefits will return to work within two years, periodic compensation payments are typically being made to 45,000 cases for ongoing disability. These Federal workers have typically sustained more severe injuries with longer recovery periods and have permanent impairments that require long term monitoring. In addition, DFEC also manages survivor benefits for 4,000 fatal cases. DFEC paid approximately \$2,100,000,000 in compensation benefits to these two groups in FY 2012.

Regular Periodic Entitlement Reviews (PER) are conducted by PRM staff to update and review medical evidence to identify cases where the level of disability has resolved or lessened and the individuals may benefit from vocational rehabilitation and have the potential to return to work. Verification of proper continuation of benefits through the PER process also reinforces the fiscal integrity of FECA program where evidence supports the adjustment or termination of benefits. DFEC implemented two new performance measures of PER productivity in FY 2012 to better support PER processing and ensure timely completion of the reviews. The first measure ensures that initial reviews are completed within 60 days and results in either: 1) closure without need for further development, or 2) designation for further development. The second measure ensures that actions on cases requiring further development are completed within 180 days.

Review of PRM cases led to benefit adjustments or terminations (counted as "PRM Resolutions") in approximately 1,200 cases and produced \$14,300,000 in FECA compensation benefit savings in FY 2012. Those "first-year" savings also produce several times that amount in compounded savings in subsequent out-years. (Annual PRM savings are calculated as the combined cumulative value of FECA periodic (28-day cycle) payment reductions for all cases reduced within that fiscal year. The value of each year's new savings is compounded in the out-years, so that, for example, an initial annual savings of \$14,000,000 produces \$84,000,000 over five years.)

FEDERAL EMPLOYEES' COMPENSATION

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY14 Request / FY 12 Rev. Enacted
11.1	Full-time permanent	11,192	11,059	11,162	-30
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	112	79	111	-1
11.9	Total personnel compensation	11,304	11,138	11,273	-31
12.1	Civilian personnel benefits	3,501	4,033	3,974	473
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	54	22	22	-32
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	1,110	1,110	1,110
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	232	191	191	-41
24.0	Printing and reproduction	2	3	3	1
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	18,647	20,905	17,175	-1,472
25.3	Other goods and services from Federal sources 1/	1,342	6,754	6,819	5,477
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	21,955	15,119	19,202	-2,753
26.0	Supplies and materials	53	72	84	31
31.0	Equipment	2,398	141	164	-2,234
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
51.1	Benefits	0	0	0	0
	Total	59,488	59,488	60,017	529
1/Other goods and services from Federal sources					
	CIGIE	0	0	26	26
	Working Capital Fund	1,136	1,136	1,136	0
	DHS Services	145	8	152	7
	Services by DOL Agencies	0	5,477	5,477	5,477
	GSA Services	61	2	2	-59
	Services by Other Government Departments	0	0	26	26

FEDERAL EMPLOYEES' COMPENSATION

CHANGES IN FY 2014

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	-\$267
Personnel benefits	-257
Employee health benefits	-89
Moving allowance	0
One day more of pay	0
Federal Employees' Compensation Act (FECA)	750
Benefits for former personnel	0
Travel and transportation of persons	-32
Transportation of things	0
Rental payments to GSA	1,110
Rental payments to others	0
Communications, utilities, and miscellaneous charges	-41
Printing and reproduction	1
Advisory and assistance services	0
Other services from non-Federal sources	-2,472
Working Capital Fund	0
Other Federal sources (Census Bureau)	0
Other Federal sources (DHS Charges)	7
Other goods and services from Federal sources	5,444
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	-2,753
Supplies and materials	19
Equipment	-2,251
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

Built-Ins Subtotal **-\$831**

Net Program **\$1,360**

Direct FTE **0**

	Estimate	FTE
Base	\$58,657	119
Program Increase	\$1,360	5
Program Decrease	\$0	-10

NOTE: Base reflects actual FY 2012 FTE.

LONGSHORE AND HARBOR WORKERS' COMPENSATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2012 Revised Enacted	FY 2013 Full Year C.R.	FY 2014 Request	Diff. FY 14 Request / FY 12 Rev. Enacted
Activity Appropriation	3,000	3,000	3,000	0
FTE	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."

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$3,000	0
2010	\$3,000	0
2011	\$3,000	0
2012	\$3,000	0
2013	\$3,000	0

FY 2014

Priority for this activity will be to continue providing prompt and accurate payment of compensation and related benefits to claimants, pursuant to Section 10(h)(2) of the amended Act. In FY 2014, the Federal share of required payments will be \$3,000,000 which will include the increase necessary for the annual October weekly wage adjustment.

FY 2013

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was

LONGSHORE AND HARBOR WORKERS' COMPENSATION

produced. In addition, these numbers do not reflect the impact of sequestration. The operating plans for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

FY 2012

In FY 2012, the Federal share of required payments is estimated to 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 2014

(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

NOTE: Base reflects actual FY 2012 FTE.