

FY 2015

CONGRESSIONAL BUDGET JUSTIFICATION

OFFICE OF WORKERS' COMPENSATION PROGRAMS

OVERVIEW

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OVERVIEW

Introduction

The mission and vision of the Office of Workers' Compensation Programs (OWCP) are:

- To protect the interests of workers who are injured or become ill on the job, their families and their employers by making timely, appropriate, and accurate decisions on claims, providing prompt payment of benefits and helping injured workers return to gainful work as early as is feasible.
- To be an innovative leader in the delivery of benefits and the sharing of timely and accurate information about our programs. OWCP will serve as a responsible steward of the resources entrusted to the agency and earn the trust and respect of those who rely on us for their health and economic well-being.

The OWCP Strategic Plan supports this mission and vision by establishing long-term performance goals in key aspects of its business:

- Strategic Goal 1: Improve Claims Review, Adjudication, and Issue Resolution
- Strategic Goal 2: Improve Processing and Payment of Benefits
- Strategic Goal 3: Enhance Recovery, Rehabilitation, and Employment Services
- Strategic Goal 4: Provide timely Policy, Procedures, Regulations, and Guidance
- Strategic Goal 5: Enhance Communication and Collaboration with Customers and Stakeholders
- Strategic Goal 6: Maintain the Highest Quality Environment for our Employees
- Strategic Goal 7: Enhance Operations, Infrastructure, and Governance

These goals align OWCP with the Secretary's vision of *Promoting and Protecting Opportunity* and the strategic objectives of the Department of Labor (DOL). OWCP supports Department of Labor Strategic Goal 4: *Secure retirement, health, and other employee benefits and, for those not working, provide income security and Strategic Objective 4.1, Provide income support when work is impossible or unavailable and facilitate return to work.*

As a result of job-related injury or illness, workers covered by OWCP are faced with potentially devastating economic, health and other personal costs. These costs arise from:

- Interruption of income while out of work;
- Loss of income if permanently disabled and unable to work or, for survivors, due to death of the employee;
- Temporary or permanent reduced capacity to return to work;
- Temporary or permanent dislocation from prior employment;
- Reduced capacity to find new employment;
- Lingering need for ongoing medical care.

Mitigation of these problems is the focus of the OWCP performance mission. To do that, OWCP administers four Federal workers' compensation statutes providing benefits and responsibly administers the benefit funds authorized for these purposes:

- The Federal Employees' Compensation Act (FECA) program provides wage-loss compensation, medical treatment, return-to-work assistance and vocational rehabilitation to civilian employees of the Federal Government injured at work and to certain other designated groups.
- The Longshore and Harbor Workers' Compensation Act (LHWCA) program oversees the delivery of benefits by private sector employers and insurance carriers to injured workers engaged in certain maritime and related employment. Longshore also administers the provisions of the Defense Base Act (DBA) which covers civilian contractors working overseas.
- The Black Lung Benefits Act provides monetary compensation and medical benefits to totally disabled miners suffering from coal mine pneumoconiosis (black lung disease) stemming from mine employment, and monetary benefits to their dependent survivors.
- The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) provides compensation and medical benefits to employees or survivors of employees of the Department of Energy (DOE), contractors or subcontractors with DOE, who have been diagnosed with cancer due to exposure to radiation or toxic substances.

OWCP's national office consists of the OWCP Director and Deputy Director, the directors of each of the four program divisions, and two directors for new administrative divisions. Effective March 10, 2013, OWCP reorganized the Division of Planning, Policy and Standards (DPPS) to form the Division of Administration and Operations (DAO) which has responsibility for medical policy, Information Technology (IT) capital planning, IT support, and administrative services; and the Division of Financial Administration (DFA) which has responsibility for budget formulation and execution, accounting and strategic planning, policy, operational planning, and performance management. Six OWCP Regional Directors manage and direct the operations of district and field offices nationwide.

As part of the DPPS reorganization, the Division of Technology and Standards (DTS) was redesignated as the Branch of Technology Support (BTS) within the DAO. BTS provides direct support for OWCP technology and application development as well as production support within OWCP. BTS fosters IT standardization across OWCP, developing common solutions and applications so that all programs can leverage these capabilities in a cost-effective manner.

BTS will be funded by the Division of Federal Employees' Compensation (DFEC) and the Division of Longshore and Harbor Workers' Compensation (DLHWC) activities. As a first step to realigning the funding of IT services, OWCP will effect a comparative transfer of the funds previously allocated to DTS to these activities. The funding tables reflect these transfers to make prior years comparable.

Finally, IT infrastructure functions continue to be provided by the Office of the Chief Information Officer (OCIO) under a Memorandum of Understanding which established a

reimbursable agreement between OWCP and OCIO. OCIO services to OWCP include a Help Desk, server maintenance, and mission-critical systems infrastructure support.

The funding accounts managed by OWCP include:

- **Salaries and Expenses (S&E) Federal Programs for Workers' Compensation:** Provides funding, through direct appropriation and transfers of Trust Funds, for the administration of the FECA, LHWCA and for OWCP's administration of the Black Lung Disability Trust Fund.
- **Special Benefits:** Finances payments to Federal civilians and Longshore and Harbor Workers and their dependents for work-related injuries and illnesses. Under legislative amendments to extensions of FECA, benefits are also paid to certain groups such as War Hazards claimants, non-Federal law enforcement officers, Job Corps enrollees, and certain federally supported volunteers.
- **Special Benefits for Disabled Coal Miners:** Finances income maintenance to miners suffering from Black Lung disease and eligible survivors for claims filed under Part B of the Black Lung Benefits Act between December 30, 1969, and June 30, 1973, and associated administrative costs.
- **Energy Employees Occupational Illness Compensation Program (EEOICP):** Part B and Part E provide compensation to Department of Energy (DOE) employees and their survivors, as well as contractors, for illness or death stemming from work in the (DOE) nuclear weapons complex.
- **Black Lung Disability Trust Fund (BLDTF):** Established under the Black Lung Benefits Reform Act of 1977 to provide for payment of Part C benefits (income maintenance and medical payments to miners suffering from Black Lung disease and eligible survivors), administrative expenses, and interest on repayable advances.
- **The Panama Canal Commission (PCC) Compensation Fund:** Established to provide for the accumulation of funds to meet the Commission's FECA workers' compensation, cost obligations that extend beyond the dissolution of the PCC on December 31, 1999, under the Panama Canal Treaty of 1977. This Fund was established in conjunction with the transfer of the administration of the FECA program from the Commission to DOL, OWCP effective January 1, 1989.
- **The Special Workers' Compensation Expenses Fund:** Consists of amounts received from employers pursuant to an annual assessment of the industry and for the death of an employee where no person is entitled to compensation for such death, and for fines and penalty payments under the LHWCA, as amended. Fund expenses include benefit payments in second injury cases, for vocational rehabilitation services to injured workers, and benefits for cases involving insolvency or other circumstances precluding payment by the employer.

OWCP's FY 2015 requested resources total \$365,904,000. The budget breakout is as below:

- \$99,173,000 and 738 FTE in DFEC Salaries & Expenses;
- \$60,334,000 and 114 FTE in Special Benefits Fair Share;
- \$13,765,000 and 97 FTE for Longshore General;
- \$2,177,000 and 9 FTE for Longshore Trust;
- \$33,321,000 and 163 FTE for DCMWC;

- \$5,262,000 and 15 FTE for Special Benefits for Disabled Coal Miners;
- \$56,406,000 and 261 FTE in EEOICPA Part B; and
- \$74,429,000 and 239 FTE in EEOICPA Part E.

OWCP program increases in FY 2015 include:

- \$1,000,000 and 7 FTE increase in DLHWC for Defense Base Act claims processing;
- \$140,000 and 1 FTE for actuarial analytics in the Division of Financial Administration;
- \$2,378,000 to meet the increased costs for processing and payment of Black Lung Benefits due to workload increases for incoming claim filings;
- \$5,407,000 to meet increased costs in EEOICPA Part B for IT initiatives that build on prior year investments and leverage improvements and functionality available through other OWCP programs. These initiatives will increase performance efficiencies and improvements and enhance outreach activities;
- \$7,256,000 to meet increased costs in EEOICPA Part E for IT initiatives that build on prior year investments and leverage improvements and functionality available through other OWCP programs. These initiatives will increase performance efficiencies and improvements and enhance outreach activities.

Legislative Reform

Federal Employees Compensation Act

The FY 2015 budget acts on longstanding Government Accountability Office, Congressional Budget Office, and Labor Inspector General recommendations to improve and update FECA. The legislative proposal would amend FECA to convert prospectively retirement-age beneficiaries to a retirement annuity-level benefit, establish an up-front waiting period for benefits for all beneficiaries, permit the Department of Labor to recapture compensation costs from responsible third parties, authorize the Department to cross-match FECA records with Social Security records to reduce improper payments, and make other changes. The proposal would also include a provision to allow the Department to add an administrative surcharge to the amount billed to Federal agencies for their FECA compensation costs, thereby shifting FECA administrative costs from the Department to Federal agencies in proportion to their usage and strengthening their incentives to promote workplace safety and speed reemployment of injured workers. These reforms would produce 10-year Government-wide savings of more than \$340 million.

DOL's proposed reforms would also amend FECA to allow DOL to charge the full administrative expenses to Federal agencies, in proportion to their usage. This would provide authority similar to that currently provided in Section 8147 (c) of FECA that requires certain (non-appropriated) agencies, such as the United States Postal Service, to pay their "Fair Share" of FECA program administration.

Defense Base Act

The FY 2014 Budget proposed replacing the Defense Base Act (DBA), which provides workers' compensation coverage to Federal contract employees working overseas on defense bases and public works projects, with the Overseas Contractor Compensation Act (OCCA). While the Administration is not reproposing legislation to reform the Defense Base Act in the 2015 Budget, it remains interested in improving the program—including through legislative avenues—and will continue to work with the large DBA customer agencies on this.

AUTHORIZING STATUTES

Public Law / Act	Legislation	Statute No. / US Code	Volume No.	Page No.	Expiration Date
PUB. L. 267, 39 Stat. 742	Federal Employees' Compensation Act, as amended.	5 U.S.C. 8101 et seq.			N/A
PUB. L. 69-803	Longshore and Harbor Workers' Compensation Act, as amended.	33 U.S.C. 901, et seq.			N/A
PUB. L. 91-173	Federal Coal Mine Health and Safety Act of 1969, (now called Federal Mine Safety and Health Act of 1977), as amended.	30 U.S.C. 901, et seq.			N/A
PUB. L. 107-275	Black Lung Consolidation of Administrative Responsibility Act, as amended.				N/A
PUB. L. 110-343	Emergency Economic Stabilization Act of 2008				N/A
PUB. L. 106-398	Energy Employees Occupational Illness Compensation Act	42 U.S.C. § 7385 et seq.			N/A
PUB. L. 108-375	Energy Employees Occupational Illness Compensation Act	42 U.S.C. § 7384 et seq.			N/A

Office of Workers' Compensation Programs Organization Chart

