

FY 2014

CONGRESSIONAL BUDGET JUSTIFICATION

OFFICE OF WORKERS' COMPENSATION PROGRAMS

OVERVIEW

OFFICE OF WORKERS' COMPENSATION PROGRAMS

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OFFICE OF WORKERS' COMPENSATION PROGRAMS

OVERVIEW

Introduction

The Mission and Vision of the Office of Workers' Compensation Programs 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 us 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 also align OWCP with the strategic objectives of the Department of Labor. OWCP supports Department of Labor Strategic Goal 4: "*Secure health benefits and, for those not working, provide income security*" and Outcome Goals 4.1, Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work and sufficient income and medical care for those who are unable to work, and 4.2, Ensure income support when work is impossible or unavailable.

As a result of job-related injury or illness, workers covered by the Office of Workers' Compensation Programs (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.

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Mitigation of these problems is the focus of the OWCP performance mission. To do that, OWCP implements 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 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 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, Deputy Director and the directors for each of the four program divisions. In addition, strategic planning, performance monitoring, medical policy, IT capital planning, and budget formulation and execution, accounting, and administrative services are provided through the Division of Planning, Policy and Standards. The Division of Technology and Standards (DTS) provides information technology services to OWCP. Six OWCP Regional Directors manage and direct the operations of district and field offices nationwide.

DTS (formerly the Division of Information of Technology and Support (DITMS)) had previously also provided common General Services Support (GSS) infrastructure services to the Wage and Hour Division, Office of Federal Contract Compliance Programs, and the Office Labor Management Standards, as well as to OWCP. In a consolidation of services in FY 2012, the infrastructure functions were transferred to the Office of the Chief Information Officer and a Memorandum of Understanding 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 appropriation and transfers of Trust Funds, for the administration of the FECA, Longshore and Harbor Workers' Compensation Act (LHWCA), the Division of Technology and Standards (DTS), 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

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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; and
- **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 the Department of Labor (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.

Total administrative budget resources requested by OWCP in FY 2014 are \$350,103,000 and 1,658 FTE. OWCP budget priorities in FY 2014 include:

- \$1,360,000 increase in Special Benefits Fair Share funding to establish a Program Integrity unit in DFEC to identify areas of improper payment vulnerability and implement corrective actions;
- \$2,000,000 increase in Longshore General funding for implementation of the Overseas Contractor Compensation Act legislative proposal, contingent on its enactment;
- Continued development of a common platform for an Office of Workers' Compensation System (OWCS);
- Continued development of the Employees' Compensation and Operations Portal (ECOMP) and IVR (Interactive Voice Response) capabilities for the Longshore, Black Lung and Energy programs;
- Support for Federal Employees' Compensation Act (FECA) reform;
- Coordination of the "Protecting Our Workers and Ensuring Reemployment (POWER)" initiative (jointly led by OWCP and the Occupational Safety and Health Administration (OSHA));

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- Assisting Federal agencies to meet POWER performance goals and provide support to achieve Executive Order 13548 goals to make improvements in disability hiring in the Federal Government;

OWCP's FY 2014 requested resources, broken out by budget activity component, include:

- \$99,474,000 and 742 FTE in DFEC Salaries & Expenses
- \$60,017,000 and 114 FTE in Special Benefits Fair Share;
- \$12,181,000 and 92 FTE for Longshore General;
 - \$2,000,000 and 5 FTE contingent on enactment of the OCCA legislative proposal;
- \$2,142,000 and 9 FTE for Longshore Trust;
- \$6,803,000 and 12 FTE for the Division of Technology and Standards;
- \$33,033,000 and 159 FTE for DCMWC;
- \$5,235,000 and 16 FTE for Special Benefits for Disabled Coal Miners;
- \$55,176,000 and 269 FTE in EEOICPA Part B; and
- \$74,042,000 and 245 FTE in EEOICPA Part E.

Legislative Reform

Federal Employees' Compensation Act

The FY 2014 President's Budget again includes the legislative proposal by the Department of Labor to reform the Federal Employees' Compensation Act, which has not been significantly updated in over 35 years. During the First Session of the 112th Congress, both the House and the Senate (Homeland Security and Governmental Affairs Committee) have passed bills to amend the FECA. The Administration and members of Congress from both parties have called for FECA to be amended to improve return-to-work incentives and employment opportunities for Federal employees with occupational injuries and disabilities, create a more equitable benefit structure, modernize FECA operations, and strengthen program integrity. The House passed the Federal Workers' Compensation Modernization and Improvement Act (H.R. 2465 which amends FECA through many of the same provisions in the Administration's proposal. The Senate's Postal reform compromise (S.1789), also includes significant portions of the Administration's FECA reform proposal, with some key differences.

The Budget's 2014 FECA reform proposal includes versions of many of the provisions currently in S. 1789, such as standardizing DOL's FECA Reform proposal 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. 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 DOL proposal are estimated at \$462,000,000.

DOL's proposed reforms would also amend Section 8147 of the FECA to authorize the expenses of administering FECA to be paid from the Employees' Compensation Fund and would require all Federal agencies to pay, through the current Chargeback system, their share of costs

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associated with FECA program administration beginning in FY 2015. 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 (portions of which have been appropriated to OWCP for FECA administration for a number of years). This provision has not been adopted in the Senate reform proposal. Charging employing agencies for the full costs of their FECA claims would provide a stronger incentive to employing agencies to prevent injuries and illnesses and collaborate with OWCP to return employees to work as soon as medically feasible.

Major savings in S. 1789 would result from reducing the benefit levels for some current and many future beneficiaries and many current and most future beneficiaries at retirement age. The most significant differences between the DOL and Senate proposals is that 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%).

S. 1789 does contain several provisions that if enacted, would create unfunded administrative costs for the program. Most significantly, the bill requires OWCP to manage a major new disability review process involving medical examinations for every FECA case shortly after a claimant has received wage-loss benefits for total disability for at least six months and at least every three years thereafter, and, in certain cases, upon request by the employing agency. This new process, as well as some of the other aspects of S. 1789, entail significant administrative costs that would need to be considered.

The Department of Labor looks forward to continuing to work with Congress to achieve successful reform of the FECA.

Overseas Contractors' Compensation Act

The growth in Federal contractors working overseas has brought into sharp focus the need for a more efficient approach to the Defense Base Act (DBA), which provides workers' compensation coverage to Federal contract employees working overseas on defense bases and public works projects. The 2014 Budget includes a legislative proposal to reform the DBA by establishing a new Government-wide fund to replace the patchwork of contract coverage now in effect under the current program. Since 2002, the DBA caseload has increased by almost 2,600 percent, from 430 in 2002 to over 11,600 in 2011. DOL has experienced a number of administrative challenges in the wake of the increased workload, including difficulties in obtaining necessary documentation from foreign workers and delays in processing cases originating from war zones. In addition, under the program's current structure, the cost of DBA insurance—which agencies pay through individual privately-insured contracts—exceed actual benefit by a significant margin.

Over the past several years, DOL, the Department of Defense, the Department of State, and the U.S Agency for International Development have been working closely together to reform and improve the operation of the DBA program, and this proposal reflects the culmination of those collaborative efforts. The proposed Overseas Contractors Compensation Act (OCCA) would

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replace the current DBA program with a new DOL-administered government-wide benefit program under which benefits would be paid directly from a Federal fund administered by DOL and agencies would be billed only for their share of benefits and administrative costs.

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Department's Vision: "Good Jobs for Everyone"



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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 |

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Federal Workers' Compensation Programs Organization Chart

