

**FY 2019**

**CONGRESSIONAL BUDGET JUSTIFICATION**

**SPECIAL BENEFITS**

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# 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 5 U.S.C. 81; 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); obligations incurred under the War Hazards Compensation Act (42 U.S.C. 1701 et seq.); and 50 percent of the additional compensation and benefits required by section 10(h) of the Longshore and Harbor Workers' Compensation Act, \$230,000,000, 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, for deposit into and to assume the attributes of the Employees' Compensation Fund established under 5 U.S.C. 8147(a): Provided, That amounts appropriated may be used under 5 U.S.C. 8104 by the Secretary 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, 2018, 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 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, 2019: Provided further, That of those funds transferred to this account from the fair share entities to pay the cost of*

## **SPECIAL BENEFITS**

*administration of the Federal Employees' Compensation Act, \$74,777,000 shall be made available to the Secretary for enhancement and maintenance of automated data processing systems operations and telecommunications systems; for automated workload processing operations, including document imaging, centralized mail intake, and medical bill processing; for periodic roll disability management and medical review; and for program integrity: Provided further, That 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, 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

## SPECIAL BENEFITS

<b>AMOUNTS AVAILABLE FOR OBLIGATION</b>						
(Dollars in Thousands)						
	FY 2017 Enacted		FY 2018 Full Year C.R.		FY 2019 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
<b>A. Appropriation</b>	<b>0</b>	<b>\$220,000</b>	<b>0</b>	<b>\$220,000</b>	<b>0</b>	<b>\$230,000</b>
Offsetting Collections From:						
Benefits	0	\$3,020,421	0	\$2,787,893	0	\$2,543,197
Fair Share	104	\$66,675	127	\$71,188	158	\$74,777
Unobligated Balance Carried Forward from Prior Year	0	\$1,218,240	0	\$1,612,837	0	\$1,749,931
Recoveries of Prior Year Unpaid Obligations	0	\$6,026	0	\$0	0	\$0
Recoveries of Prior Year Paid Obligations	0	\$0	0	\$0	0	\$0
<b>B. Gross Budget Authority</b>	<b>104</b>	<b>\$4,531,362</b>	<b>127</b>	<b>\$4,691,918</b>	<b>158</b>	<b>\$4,597,905</b>
Total Collections	0	-\$3,087,096	0	-\$2,859,081	0	-\$2,617,974
Unobligated Balance Carried Forward from Prior Year	0	-\$1,218,240	0	-\$1,612,837	0	-\$1,749,931
Recoveries of Prior Year Unpaid Obligations	0	-\$6,026	0	\$0	0	\$0
Recoveries of Prior Year Paid Obligations	0	\$0	0	\$0	0	\$0
<b>C. Budget Authority</b>	<b>104</b>	<b>\$220,000</b>	<b>127</b>	<b>\$220,000</b>	<b>158</b>	<b>\$230,000</b>
Total Collections	0	\$3,087,096	0	\$2,859,081	0	\$2,617,974
Unobligated Balance Carried Forward from Prior Year	0	\$1,218,240	0	\$1,612,837	0	\$1,749,931
Recoveries of Prior Year Unpaid Obligations	0	\$6,026	0	\$0	0	\$0
Recoveries of Prior Year Paid Obligations	0	\$0	0	\$0	0	\$0
<b>D. Total Budgetary Resources</b>	<b>104</b>	<b>\$4,531,362</b>	<b>127</b>	<b>\$4,691,918</b>	<b>158</b>	<b>\$4,597,905</b>
Unobligated Balances	1	-\$1,612,837	0	-\$1,749,931	0	-\$1,626,427
<b>E. Total, Estimated Obligations</b>	<b>105</b>	<b>\$2,918,525</b>	<b>127</b>	<b>\$2,941,987</b>	<b>158</b>	<b>\$2,971,478</b>

## SPECIAL BENEFITS

### SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2018 Full Year C.R.	FY 2019 Request	Net Change
<b>Budget Authority</b>			
General Funds	\$3,079,081	\$2,847,974	-\$231,107
<b>Total</b>	\$3,079,081	\$2,847,974	-\$231,107
<b>Full Time Equivalents</b>			
General Funds	127	158	31
<b>Total</b>	127	158	31

#### FY 2019 Change

Explanation of Change	FY 2018 Base		Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Increases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
Costs of pay adjustments	127	\$12,891	0	\$0	0	\$0	0	\$0
Personnel benefits	0	\$4,023	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	\$67	0	\$67
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	\$88	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	\$0	0	\$0
Rental payments to others	0	\$0	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$397	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$0	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$0	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$24,455	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$8,834	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	\$0	0	\$0	0	\$0	0	\$0
Other goods and services from Federal sources	0	\$170	0	\$0	0	\$0	0	\$0
Research & Development Contracts	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of facilities	0	\$0	0	\$0	0	\$0	0	\$0



## SPECIAL BENEFITS

Explanation of Change	FY 2019 Change							
	FY 2018 Base		Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Operation and maintenance of equipment	0	\$18,815	0	\$0	0	\$50	0	\$50
Supplies and materials	0	\$20	0	\$0	0	\$0	0	\$0
Equipment	0	\$263	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$3,007,893	0	\$0	0	\$0	0	\$0
<b>Built-Ins Subtotal</b>	<b>127</b>	<b>+\$3,077,849</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$117</b>	<b>0</b>	<b>+\$117</b>
<b>B. Programs:</b>								
Program Increase - FY 2019 DFEC Benefits Increase	0	\$0	0	\$0	0	\$10,000	0	\$10,000
FECA Prescription Management Unit	0	\$0	0	\$0	26	\$2,615	26	\$2,615
Pharmacy Benefit Management (PBM) Services	0	\$0	0	\$0	5	\$974	5	\$974
<b>Programs Subtotal</b>			<b>0</b>	<b>\$0</b>	<b>31</b>	<b>+\$13,589</b>	<b>31</b>	<b>+\$13,589</b>
<b>Total Increase</b>	<b>127</b>	<b>+\$3,077,849</b>	<b>0</b>	<b>\$0</b>	<b>31</b>	<b>+\$13,706</b>	<b>31</b>	<b>+\$13,706</b>
<b>Decreases:</b>								
<b>A. Built-Ins:</b>								
To Provide For: Federal Employees' Compensation Act (FECA)	0	\$1,232	0	\$0	0	-\$117	0	-\$117
<b>Built-Ins Subtotal</b>	<b>0</b>	<b>+\$1,232</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$117</b>	<b>0</b>	<b>-\$117</b>
<b>B. Programs:</b>								
Program Decrease - Offsetting Collections	0	\$0	0	\$0	0	-\$244,696	0	-\$244,696
<b>Programs Subtotal</b>			<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$244,696</b>	<b>0</b>	<b>-\$244,696</b>
<b>Total Decrease</b>	<b>0</b>	<b>+\$1,232</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$244,813</b>	<b>0</b>	<b>-\$244,813</b>
<b>Total Change</b>	<b>127</b>	<b>+\$3,079,081</b>	<b>0</b>	<b>\$0</b>	<b>31</b>	<b>-\$231,107</b>	<b>31</b>	<b>-\$231,107</b>

## SPECIAL BENEFITS

<b>SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY</b>								
(Dollars in Thousands)								
	FY 2017 Enacted		FY 2018 Full Year C.R.		FY 2019 Request		Diff. FY19 Request / FY18 Full Year C.R	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Federal Employees' Compensation Act Benefits</b>	<b>0</b>	<b>3,020,421</b>	<b>0</b>	<b>2,787,893</b>	<b>0</b>	<b>2,543,197</b>	<b>0</b>	<b>-244,696</b>
Offsetting Benefits Collections	0	3,020,421	0	2,787,893	0	2,543,197	0	-244,696
<b>FECA Fair Share</b>	<b>105</b>	<b>66,675</b>	<b>127</b>	<b>71,188</b>	<b>158</b>	<b>74,777</b>	<b>31</b>	<b>3,589</b>
General Funds	105	66,675	127	71,188	158	74,777	31	3,589
<b>Federal Employees' Compensation Act Appropriation</b>	<b>0</b>	<b>217,000</b>	<b>0</b>	<b>217,000</b>	<b>0</b>	<b>227,000</b>	<b>0</b>	<b>10,000</b>
General Funds	0	217,000	0	217,000	0	227,000	0	10,000
<b>Longshore and Harbor Workers' Compensation Benefits</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>0</b>
General Funds	0	3,000	0	3,000	0	3,000	0	0
<b>Total</b>	<b>105</b>	<b>3,307,096</b>	<b>127</b>	<b>3,079,081</b>	<b>158</b>	<b>2,847,974</b>	<b>31</b>	<b>-231,107</b>
<b>General Funds</b>	<b>105</b>	<b>286,675</b>	<b>127</b>	<b>291,188</b>	<b>158</b>	<b>304,777</b>	<b>31</b>	<b>13,589</b>
<b>Offsetting Benefits Collections</b>	<b>0</b>	<b>3,020,421</b>	<b>0</b>	<b>2,787,893</b>	<b>0</b>	<b>2,543,197</b>	<b>0</b>	<b>-244,696</b>

NOTE: 2017 reflects actual FTE.

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<b>BUDGET AUTHORITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request/ FY18 Full Year C.R.</b>
	Full-Time Equivalent				
	Full-time Permanent	104	127	158	31
	<b>Total</b>	<b>104</b>	<b>127</b>	<b>158</b>	<b>31</b>
	Average ES Salary	\$176,606	\$179,962	\$179,962	\$0
	Average GM/GS Grade	13/1	13/1	13/1	0
	Average GM/GS Salary	\$93,199	\$94,970	\$94,970	\$0
11.1	Full-time permanent	10,157	12,686	15,435	2,749
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	176	205	205	0
11.9	<b>Total personnel compensation</b>	<b>10,333</b>	<b>12,891</b>	<b>15,640</b>	<b>2,749</b>
12.1	Civilian personnel benefits	4,568	5,255	6,045	790
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	94	88	88	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	285	397	397	0
24.0	Printing and reproduction	9	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	21,281	24,455	24,455	0
25.3	Other goods and services from Federal sources 1/	8,765	9,004	9,004	0
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	20,970	18,815	18,865	50
26.0	Supplies and materials	75	20	20	0
31.0	Equipment	295	263	263	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	3,240,421	3,007,893	2,773,197	-234,696
51.1	Benefits	0	0	0	0
	<b>Total</b>	<b>3,307,096</b>	<b>3,079,081</b>	<b>2,847,974</b>	<b>-231,107</b>
	1/Other goods and services from Federal sources				
	Working Capital Fund	8,608	8,834	8,834	0
	Services by DOL Agencies	157	170	170	0

## SPECIAL BENEFITS

### AUTHORIZING STATUTES

<b>Public Law / Act</b>	<b>Legislation</b>	<b>Statute No. / US Code</b>	<b>Expiration Date</b>
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

## SPECIAL BENEFITS

<b>APPROPRIATION HISTORY</b>					
(Dollars in Thousands)					
	<b>Budget Estimates to Congress</b>	<b>House Allowance</b>	<b>Senate Allowance</b>	<b>Appropriations</b>	<b>FTE</b>
2009					
Base Appropriation	\$163,000		\$3,000	\$216,743	127
2010					
Base Appropriation	\$187,000	\$3,000	\$3,000	\$245,120	127
2011					
Base Appropriation	\$183,000	\$3,000	\$3,000	\$241,364	113
2012					
Base Appropriation	\$350,000		\$3,000	\$409,488	109
2013					
Base Appropriation	\$396,000			\$409,488	116
2014					
Base Appropriation	\$396,000			\$456,017	114
2015					
Base Appropriation	\$210,000			\$270,334	110
2016					
Base Appropriation	\$210,000	\$210,000	\$210,000	\$272,170	110
2017					
Base Appropriation	\$220,000			\$286,675	104
2018					
Base Appropriation...1/	\$220,000	\$220,000			
2019					
Base Appropriation	\$230,000				158

1/ A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared.

# **SPECIAL BENEFITS**

## **OVERVIEW**

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 (LHWCA), 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, the program pays benefits to certain groups such as War Hazards Compensation Act claimants, non-Federal law enforcement officers, Job Corps enrollees, and certain Federally supported volunteers.

Spending authority is also provided for FECA program administration out of annual "Fair Share" collections. Fair Share assessments are mandated under Section 8147(c) of the FECA for 23 non-appropriated agencies, including the United States Postal Service, with each paying a pro rata share of OWCP's cost to administer FECA claims filed by their employees.

Section 10(h) of the amended 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 compensation of those cases. A 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. Private insurance companies and/or employers pay the remaining 50 percent of the compensation.

### **Legislative Reform**

#### **Federal Employees' Compensation Act (FECA) Reform**

The 2019 Budget incorporates longstanding Government Accountability Office, Congressional Budget Office, and Labor Inspector General recommendations to improve and update FECA. The last major amendments to the Federal Employees' Compensation Act (FECA) were made in 1974. OWCP proposes changes that generate cost savings by simplifying FECA benefit rates, introducing controls to prevent fraud and limit improper payments, and modernizing benefit administration.

The proposal would reform the FECA program prospectively to:

- (1) simplify benefits to provide a single compensation rate at 66 2/3 percent of injured workers' pay;
- (2) reduce benefit levels at full Social Security Administration (SSA) retirement age;
- (3) prevent retroactive selection of FECA benefits after claimants have declined them in favor of Federal retirement benefits;
- (4) apply a consistent waiting period for compensation for all covered employees;

## **SPECIAL BENEFITS**

- (5) increase benefits for funeral expenses and severe disfigurement;
- (6) suspend payments to indicted medical providers; and
- (7) make other changes to improve program integrity and reduce improper payments.

These reforms would produce 10-year government-wide savings of more than \$885 million, and approximately \$117 million in net savings.





## FEDERAL EMPLOYEES' COMPENSATION

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request/ FY18 Full Year C.R.</b>
<b>Activity Appropriation</b>	<b>66,675</b>	<b>71,188</b>	<b>74,777</b>	<b>3,589</b>
FTE	105	127	158	31

NOTE: FY 2017 reflects actual FTE. Authorized FTE for FY 2017 was 104.

### **Introduction**

The principal costs of the FECA program are compensation benefits for disability, death, and medical expenses. The Special Benefits account also provides for FECA program administration using “Fair Share” funds collected pursuant to FECA Section 8147(c). This funding supports program operations, including Periodic Roll Management, Disability Management, medical bill review and processing, the review and processing of prior authorization forms for opioid and compounded medications, and other program integrity efforts.

Over the past few years, OWCP (primarily the FECA program) has seen a dramatic increase in expenditures for prescription drugs. The FECA program has taken several steps to address this issue. For example, in July 2016, OWCP implemented pricing policy changes in which the program reduced the reimbursement rate for generic drugs from 70 percent of Average Wholesale Price (AWP) to 60 percent. OWCP also established a two-tiered reimbursement rate for compounded drugs in which the agency pays 50 percent of the AWP per ingredient for compounds with three or fewer ingredients and 30 percent of AWP for compounds with four or more ingredients. Additional savings have resulted from the implementation of a prior authorization process by requiring the submission of a Letter of Medical Necessity (LMN) by the claimant’s physician prior to authorization of any compounded medications, including compounded medications containing opioids, and imposing restrictions on herbal supplements.

OWCP also faces the challenge of the nationwide opioid drug epidemic. The FECA program was paying for approximately 19,000 new opioid prescriptions annually and has a legacy population of approximately 27,000 injured workers receiving opioid medications on an ongoing basis. These issues represent continuing risks to claimant safety and health, including addiction, overuse, and overdose. The FECA program implemented the first phase of the program’s opioid policy, placing guidelines around new users, in August 2017. Additionally, the policy supports the President’s strategic drug control initiatives and the Office of National Drug Control Policy’s priority, “Addressing the Nation’s Opioid Use Crisis and Overdose Epidemic.”

# FEDERAL EMPLOYEES' COMPENSATION

## Five-Year Budget Activity History

(Dollars in Thousands)

<b>Fiscal Year</b>	<b>Appropriation</b>	<b>Fair Share Funding</b>	<b>FTE</b>
2014	\$396,000	\$60,017	114
2015	\$210,000	\$60,334	110
2016	\$210,000	\$62,170	110
2017	\$220,000	\$66,675	104
2018	\$0	\$0	0

NOTE: A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared.

### FY 2019

Total new budget authority requested in FY 2019 is \$2,847,974,000. This amount includes \$227,000,000 in direct appropriations for FECA and \$3,000,000 for LHWCA benefits as authorized under Section 10(h) of the amended LHWCA. OWCP estimates total offsetting collections in FY 2019 to be \$2,543,197,000 in FECA benefits and War Hazard payments, and \$74,777,000 and 158 FTE for FECA Fair Share program administration. The Fair Share amount includes increases of \$2,615,000 and 26 FTE for the FECA Prescription Management Unit, and \$974,000 and 5 FTE for acquisition of pharmacy benefit management (PBM) services.

#### Prescription Management Unit

The FY 2018 President's request included funding for half of the FECA Prescription Management Unit. For FY 2019, OWCP is requesting the remaining funding to fully implement this initiative. The requested resources will support the actions required to monitor and manage opioid medication use among injured workers receiving benefits under the FECA, including benefits administration, medical management, and claims adjudication.

The \$2,615,000 and 26 FTE requested in FY 2019 will help address the growth in opioid use nationwide and enhance the integrity of the FECA program. This will enable the program to approve medically-appropriate use of opioid medication and provide beneficiaries assistance in transitioning to alternative treatments as appropriate. Decreasing opioid use will assist in return-to-work efforts for instances where medication usage limits activity, leading to greater savings on wage-loss compensation payments. It will also assist the program in certifying the necessity of payments made for medical treatment under the FECA. Additionally, this effort supports the President's strategic drug control initiatives and the Office of National Drug Control Policy priority, "Addressing the Nation's Opioid Use Crisis and Overdose Epidemic."

#### Pharmacy Benefit Management (PBM) services

OWCP is requesting \$974,000 and 5 FTE to manage the acquisition and use of Pharmacy Management (PBM) services. PBM services will implement drug controls that will improve the safety, quality, and cost-effectiveness of prescription care provided to claimants across the four agency programs. This, in turn, may improve return-to-work outcomes for the two OWCP programs that have return-to-work responsibilities, the Federal Employees' Compensation Program and the Longshore and Harbor Workers' Compensation programs. Additionally, the

## FEDERAL EMPLOYEES' COMPENSATION

drug controls offered by a PBM will reduce the costs of treatment to all federal agencies covered by the FECA, and for other OWCP programs as well.

In the FECA program, OWCP is already improving the safety and quality of care through prior authorization requirements and reimbursement controls for prescription drugs. These controls have reduced monthly-compounded drug reimbursements from \$20 million per month in 2015 to \$2 million per month as of 2017. However, as new drugs enter the market and as questionable prescribing and billing practices evolve to circumvent controls, new controls will be needed to address the changing environment. PBM services will enable OWCP to design and implement controls that optimize safety, enhance cost containment, and combat fraud.

Other federal agencies, such as the VA and DoD have implemented PBM services for their healthcare programs. OWCP is currently working with the VA to obtain *interim* PBM services under an interagency agreement to gain experience in the operation of a PBM, and to inform OWCP's planned, long-term PBM acquisition. OWCP will manage and analyze outcomes from these interim operations, and adjust as appropriate. The agency will then finalize requirements for a long-term OWCP PBM, manage the solicitation, and implement/manage new, long-term PBM operations.

FY 2019 Fair Share funding will also provide:

- Increased program integrity efforts through data analytics, payment audits, and improper payment reporting; and
- Maintenance of the web-based application Employees' Compensation Operations and Management Portal that enables Federal employers and claimants to submit claim forms electronically and the interactive voice response system that provides claimants with greater access to OWCP claims staff to answer questions and offers self-help features that provide timely case status information.

### **FY 2018**

A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017 (P.L. 115-56). The amounts included for 2018 reflect the annualized level provided by the continuing resolution. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

### **FY 2017**

Total new budget authority at the FY 2017 Revised Enacted level was \$3,307,096. This amount included \$217,000,000 in direct appropriations for FECA and \$3,000,000 for LHWCA benefits as authorized under Section 10(h) of the amended LHWCA, total offsetting collections of \$3,020,421,000 in FECA benefits and War Hazard payments, and \$66,675,000 and 104 FTE for

## **FEDERAL EMPLOYEES' COMPENSATION**

FECA Fair Share program administration. The FECA program continued the core activities of its mission, including the operations and maintenance of data processing and communications systems to provide essential support for FECA claims, case management, and fiscal operations.

### **Workload Summary**

#### **Periodic Roll Management**

Management of long-term disability cases under Periodic Roll Management is a performance priority for the FECA program. These injured Federal workers have typically sustained more severe injuries with longer recovery periods and have permanent impairments that require long-term monitoring. The FECA program expects approximately 39,400 workers to receive compensation for long-term disability in FY 2019.

#### **Monitoring and Management of Pharmaceutical Costs**

The FECA program implemented a prior authorization requirement for new recipients of opioid prescriptions in August 2017. The FECA program expects to process 100,000 Letters of Medical Necessity (LMNs) for opioid medications in FY 2019. The FECA program will begin reporting the percent decrease of initial opioid prescriptions and duration of new opioid prescriptions for Federal employees with work-related injuries. The management of opioid prescriptions is an Agency priority; this performance measure will serve as OWCP's two-year Agency Priority Goal.

## FEDERAL EMPLOYEES' COMPENSATION

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request/ FY18 Full Year C.R.</b>
11.1	Full-time permanent	10,157	12,686	15,435	2,749
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	176	205	205	0
11.9	<b>Total personnel compensation</b>	<b>10,333</b>	<b>12,891</b>	<b>15,640</b>	<b>2,749</b>
12.1	Civilian personnel benefits	4,568	5,255	6,045	790
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	94	88	88	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	285	397	397	0
24.0	Printing and reproduction	9	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	21,281	24,455	24,455	0
25.3	Other goods and services from Federal sources 1/	8,765	9,004	9,004	0
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	20,970	18,815	18,865	50
26.0	Supplies and materials	75	20	20	0
31.0	Equipment	295	263	263	0
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
	<b>Total</b>	<b>66,675</b>	<b>71,188</b>	<b>74,777</b>	<b>3,589</b>
	1/Other goods and services from Federal sources				
	Working Capital Fund	8,608	8,834	8,834	0
	Services by DOL Agencies	157	170	170	0

# FEDERAL EMPLOYEES' COMPENSATION

## CHANGES IN FY 2019

(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 more of pay	67
Federal Employees' Compensation Act (FECA)	-117
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Working Capital Fund	0
Other Federal sources (Census Bureau)	0
Other Federal sources (DHS Charges)	0
Other goods and services from Federal sources	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	50
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

**Built-Ins Subtotal** **\$0**

**Net Program** **\$3,589**

**Direct FTE** **31**

	Estimate	FTE
<b>Base</b>	<b>\$71,188</b>	<b>127</b>
<b>Program Increase</b>	<b>\$3,589</b>	<b>31</b>
<b>Program Decrease</b>	<b>\$0</b>	<b>0</b>