

**FY 2027**

**CONGRESSIONAL BUDGET JUSTIFICATION**

**SPECIAL BENEFITS**

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## SPECIAL BENEFITS

### TABLE OF CONTENTS

Appropriation Language .....	1
Analysis of Appropriation Language.....	1
Amounts Available for Obligation.....	2
Summary of Changes .....	3
Summary Budget Authority and FTE by Activity .....	5
Budget Authority by Object Class .....	6
Authorizing Statutes.....	7
Appropriation History .....	8
Overview .....	9
Budget Activities .....	11
Federal Employees' Compensation.....	11

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## SPECIAL BENEFITS

### APPROPRIATION LANGUAGE

(INCLUDING TRANSFER OF FUNDS)

*For the payment of compensation, benefits, and expenses (except administrative expenses not otherwise authorized) accruing during the current or any prior fiscal year authorized by section 8101 et seq. 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; section 5(f) of the War Claims Act (50 U.S.C. 4110); obligations incurred under the War Hazards Compensation Act (section 1701 et seq. of title 42, United States Code); and 50 percent of the additional compensation and benefits required by section 10(h) of the Longshore and Harbor Workers' Compensation Act, obligations incurred for the total cost of workers' compensation benefits and other payments described in the Panama Canal Commission (section 3715 of title 22, United States Code), \$1,510,951,000, 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 section 8147(a) of title 5, United States Code: Provided, That amounts appropriated may be used under section 8104 of title 5, United States Code, 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, 2026, 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, 2027: 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, \$81,808,000 shall be made available to the Secretary as follows: (1) For enhancement and maintenance of automated data processing systems operations and telecommunications systems, \$27,549,000; (2) For automated workload processing operations, including document imaging, centralized mail intake, and medical bill processing, \$25,956,000; (3) For periodic roll disability management and medical review, \$25,957,000; (4) For program integrity, \$2,346,000; 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 sections § 8101 et seq. of title 5, United States Code, 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.*

## SPECIAL BENEFITS

### ANALYSIS OF APPROPRIATION LANGUAGE

<b>Language Provision</b>	<b>Explanation</b>
<i>“obligations incurred for the total cost of workers’ compensation benefits and other payments described in the Panama Canal Commission...”</i>	The Panama Canal Commission Fund (PCC) is estimated to be insufficient to cover its obligations by November 2026. Once PCC funds are depleted, workers’ compensation and other payments described in the PCC will continue to be paid out of the Special Benefits Employees’ Compensation Fund necessitating this request for additional funds in the Special Benefits appropriation language to cover the costs.

**SPECIAL BENEFITS**

**AMOUNTS AVAILABLE FOR OBLIGATION**

(Dollars in Thousands)

	FY 2025 Enacted		FY 2026 Enacted		FY 2027 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
<b>Budget Authority Before Committee</b>	<b>0</b>	<b>\$726,670</b>	<b>0</b>	<b>\$1,298,385</b>	<b>0</b>	<b>\$1,510,951</b>
Spending Authority from Offsetting Collections: Benefits and Reimbursable FTE	19	2,866,723	3	3,059,623	0	3,112,269
Spending Authority from Offsetting Collections: FECA Fair Share Appropriation	163	84,106	128	81,808	128	81,808
Spending Authority from Offsetting Collections: Unobligated Balance Carried Forward from Prior Year		455,346		147,855		
<b>Total Budgetary Resources</b>	<b>182</b>	<b>\$4,132,845</b>	<b>131</b>	<b>\$4,587,671</b>	<b>128</b>	<b>\$4,705,028</b>

## SPECIAL BENEFITS

### SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2026 Enacted	FY 2027 Request	Net Change
<b>Budget Authority</b>			
General Funds	\$4,439,816	\$4,705,028	\$265,212
<b>Total</b>	\$4,439,816	\$4,705,028	\$265,212
<b>Full Time Equivalents</b>			
General Funds	131	128	-3
<b>Total</b>	131	128	-3

### Explanation of Change

	FY 2026 Enacted		Trust Funds		Federal Funds		FY 2027 Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Increases:</b>								
<b>A. Built-Ins:</b>								
Total personnel compensation	131	\$17,420	0	\$0	0	\$0	0	\$0
Personnel benefits	0	\$6,477	0	\$0	0	\$0	0	\$0
Benefits for former personnel	0	\$3	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$153	0	\$0	0	\$0	0	\$0
Communications, utilities, and misc.	0	\$15	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$27,139	0	\$0	0	\$0	0	\$0
Other goods and svcs. from Fed. sources	0	\$10,346	0	\$0	0	\$0	0	\$0
Operation and maint. of equipment	0	\$1,851	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$58	0	\$0	0	\$0	0	\$0
Equipment	0	\$122	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$4,358,033	0	\$0	0	\$0	0	\$0
Federal Employees' Compensation Act	0	\$1,705	0	\$0	0	\$34	0	\$34

## SPECIAL BENEFITS

Working Capital Fund	0	\$16,494	0	\$0	0	\$0	0	\$0
<b>Built-Ins Subtotal</b>	<b>+131</b>	<b>+\$4,439,816</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$34</b>	<b>0</b>	<b>+\$34</b>
<b>B. Programs:</b>								
Panama Canal Commission Benefits			0	\$0	0	\$2,700	0	\$2,700
<b>Programs Subtotal</b>			<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$2,700</b>	<b>0</b>	<b>+\$2,700</b>
<b>Total Increase</b>	<b>+131</b>	<b>+\$4,439,816</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$2,734</b>	<b>0</b>	<b>+\$2,734</b>
<b>Decreases:</b>								
<b>A. Built-Ins:</b>								
<b>Built-Ins Subtotal</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>
<b>B. Programs:</b>								
<b>Programs Subtotal</b>			<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>
<b>Total Decrease</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>
<b>Total Changes for Econ. Assumptions</b>			<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$262,512</b>	<b>0</b>	<b>+\$262,512</b>
<b>Total Other</b>			<b>0</b>	<b>\$0</b>	<b>-3</b>	<b>-\$34</b>	<b>-3</b>	<b>-\$34</b>
<b>Total Change</b>	<b>+131</b>	<b>+\$4,439,816</b>	<b>0</b>	<b>\$0</b>	<b>-3</b>	<b>+\$265,212</b>	<b>-3</b>	<b>+\$265,212</b>

## SPECIAL BENEFITS

### SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY

(Dollars in Thousands)

	FY 2025 Enacted		FY 2026 Enacted		FY 2027 Request		Diff. FY 2027 Request / FY 2026 Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>FECA Benefit Collections</b>	21	\$2,886,723	3	\$3,059,623	0	\$3,112,269	-3	\$52,646
General Funds	21	\$2,886,723	3	\$3,059,623	0	\$3,112,269	-3	\$52,646
<b>Fair Share Admin</b>	165	\$84,106	128	\$81,808	128	\$81,808	0	\$0
General Funds	165	\$84,106	128	\$81,808	128	\$81,808	0	\$0
<b>Federal Employees' Compensation Benefits</b>	0	\$724,670	0	\$1,296,385	0	\$1,506,251	0	\$209,866
General Funds	0	\$724,670	0	\$1,296,385	0	\$1,506,251	0	\$209,866
<b>Longshore and Harbor Workers' Benefits</b>	0	\$2,000	0	\$2,000	0	\$2,000	0	\$0
General Funds	0	\$2,000	0	\$2,000	0	\$2,000	0	\$0
<b>Panama Canal Commission Benefits</b>	0	\$0	0	\$0	0	\$2,700	0	\$2,700
General Funds	0	\$0	0	\$0	0	\$2,700	0	\$2,700
<b>Total</b>	<b>186</b>	<b>\$3,697,499</b>	<b>131</b>	<b>\$4,439,816</b>	<b>128</b>	<b>\$4,705,028</b>	<b>-3</b>	<b>\$265,212</b>
<b>General Funds</b>	<b>186</b>	<b>\$3,697,499</b>	<b>131</b>	<b>\$4,439,816</b>	<b>128</b>	<b>\$4,705,028</b>	<b>-3</b>	<b>\$265,212</b>

NOTE: FY 2025 reflects actual FTE.

## SPECIAL BENEFITS

### BUDGET AUTHORITY BY OBJECT CLASS

(Dollars in Thousands)

	<b>FY 2025 Enacted</b>	<b>FY 2026 Enacted</b>	<b>FY 2027 Request</b>	<b>Diff. FY 2027 Request / FY 2026 Enacted</b>
11.1 Full-time permanent	21,760	16,713	16,713	0
11.5 Other personnel compensation	575	707	707	0
12.1 Personnel Benefits	8,207	6,477	6,477	0
12.1 FECA	1,414	1,705	1,739	34
13.0 Benefits for former personnel	0	3	3	0
21.0 Travel and transportation of persons	196	153	153	0
23.1 Rental payments to GSA	770	0	0	0
23.3 Communications, utilities, and misc.	16	15	15	0
24.0 Printing and reproduction	7	0	0	0
25.2 Other services from non-Federal sources	9,947	27,139	27,105	-34
25.3 Other goods and svcs. from Fed. sources	16,455	10,346	10,346	0
25.3 WCF (Non-Add)	22,447	16,494	16,494	0
25.7 Operation and maint. of equipment	2,173	1,851	1,851	0
26.0 Supplies and materials	47	58	58	0
31.0 Equipment	92	122	122	0
42.0 Insurance claims and indemnities	3,613,393	4,358,033	4,623,245	265,212
<b>Total</b>	<b>3,697,499</b>	<b>4,439,816</b>	<b>4,705,028</b>	<b>265,212</b>

## 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

### APPROPRIATION HISTORY

(Dollars in Thousands)

	Budget Estimates to Congress	Appropriations	FTE
2017			
Base Appropriation	\$286,675	\$286,675	104
2018			
Base Appropriation	\$291,188	\$291,188	128
2019			
Base Appropriation	\$304,777	\$304,777	158
2020			
Base Appropriation	\$309,377	\$309,377	154
2021			
Base Appropriation	\$319,257	\$319,257	143
2022			
Base Appropriation	\$324,920	\$324,920	116
2023			
Base Appropriation	\$331,752	\$331,752	168
2024			
Base Appropriation	\$783,007	\$783,007	168
2025			
Base Appropriation	\$810,776	\$810,776	163
2026			
Base Appropriation	\$1,380,193	\$1,380,193	128
2027			
Base Appropriation	\$1,592,759	\$0	128

## **SPECIAL BENEFITS**

### **OVERVIEW**

The Special Benefits fund 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 the War Hazards Compensation Act, also administered by the FECA Program, insurance carriers can file reimbursement claims for workers' compensation benefits paid under the Defense Base Act for injury or death caused by a war-risk hazard as defined in the statute.

Spending authority is also provided for the 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 November 26, 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.



## SPECIAL BENEFITS

### BUDGET AUTHORITY BEFORE THE COMMITTEE

(Dollars in Thousands)

	FY 2025 Enacted	FY 2026 Enacted	FY 2027 Request	Diff. FY 2027 Request / FY 2026 Enacted
<b>Activity Appropriation</b>	<b>84,106</b>	<b>81,808</b>	<b>81,808</b>	<b>0</b>
FTE	165	128	128	0

NOTE: FY 2025 reflects actual FTE.

### **Introduction**

The Special Benefits fund is administered by the Division of Federal Employees' Compensation (DFEC), which adjudicates new Federal Employees' Compensation Act (FECA) claims for benefits and manages ongoing cases; pays medical expenses and compensation benefits to injured workers and survivors; and helps injured employees return to work when they are medically able to do so.

### **Five-Year Budget Activity History**

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2022	\$80,920	116
2023	\$81,752	168
2024	\$83,007	168
2025	\$84,106	163
2026	\$81,808	128

### **FY 2027**

Total new budget authority requested in FY 2027 is \$4,705,028,000. This amount includes \$1,272,651,000, in direct appropriations for War Hazards Compensation Act (WHCA) payments, \$233,600,000 for non-billable FECA benefits, \$2,000,000 for Longshore Harbor Workers' Compensation Act (LHWCA) benefits as authorized under Section 10(h) of the amended LHWCA, and \$2,700,000 for Panama Canal Commission (PCC) benefits. OWCP anticipates total offsetting collections in FY 2027 to be \$3,112,269,000 in FECA benefits and \$81,808,000 and 128 FTE for FECA Fair Share program administration.

In FY 2027, the FECA Program will continue its ongoing program integrity efforts to reduce fraud and lower improper payments through data analytics, audits, and transparent improper payment reporting. The FY 2027 funding request will continue to deliver safe and effective

## SPECIAL BENEFITS

workers' compensation coverage to injured federal workers by ensuring they are operating within a merit-based structure which promotes accountability, streamlined procedures and processes, and technology modernization.

DFEC is responsible for reviewing, approving, and paying reimbursement claims associated with WHCA, which are paid out of the Special Benefits fund. Incoming reimbursement requests have significantly increased, driving subsequent paid reimbursements to increase as well, resulting in an increase in the requested appropriation from \$1,260,985,000 in FY 2026 to \$1,272,651,000 in FY 2027. Average monthly WHCA payments in FY 2025 were approximately \$58.7 million per month (+2% as compared to FY 2024) and are anticipated to increase further in FYs 2026-2027. The requested appropriation level will allow OWCP to process reimbursement requests in a timely manner while improving program oversight and integrity.

OWCP's request for funding of \$2,700,000 to cover PCC benefits claims is a new request in Special Benefits funding. OWCP's PCC benefits fund is estimated to be insufficient to cover its obligations by November 2026. Once PCC funds are depleted, DFEC will continue to pay claims out of the Special Benefits Employees' Compensation Fund necessitating this request for additional funds to cover the costs. Actuarial models estimate that OWCP will require \$2,700,000 in funding for claimants in FY 2027. This request requires a change to the Special Benefits appropriations language to include a provision for the PCC funding.

The chart below displays the break-out of the total Special Benefits appropriation:

(Dollars in Thousands)

War Hazards Compensation Act Benefits	\$1,272,651
FECA Non-billable Benefits	\$233,600
Longshore and Harbor Workers' Benefits	\$2,000
Panama Canal Commission Benefits	\$2,700
<b>Special Benefits Appropriation Total</b>	<b>\$1,510,951</b>

### **FY 2026**

In FY 2026, DFEC will continue its program integrity efforts to reduce fraud by referring medical providers with suspicious billing activity to the DOL Office of Inspector General, and to lower improper payments through enhanced payment reviews and implementing IT updates that improve payment accuracy.

### **FY 2025**

During FY 2025, DFEC continued its program integrity efforts to reduce fraud by referring medical providers with suspicious billing activity to the DOL Office of Inspector General, and to lower improper payments by implementing IT updates to the periodic entitlement review process.

**SPECIAL BENEFITS**

<b>WORKLOAD AND PERFORMANCE SUMMARY</b>				
	<b>FY 2025 Enacted</b>		<b>FY 2026 Enacted</b>	<b>FY 2027 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>FECA Fair Share Appropriation</b>				
<b>Workload</b>				
FEC WL 4 Periodic Roll Cases - Long-term Disability	37,000[p]	37,062	36,000[p]	35,000[p]

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

## **SPECIAL BENEFITS**

### **Workload and Performance Narrative**

#### 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. In FY 2027, the program expects approximately 36,000 workers to receive compensation for long-term disability.

#### Monitoring and Management of Pharmaceutical Costs

The FECA program has reduced annual total pharmacy spend from \$436.6 million in FY 2016 to \$39.7 million in FY 2025, a 90% reduction. Annual pharmacy transactions have been reduced from 1,314,000 transactions in FY 2016 to 445,000 transactions in FY 2025, a 66% reduction. The FECA program will continue to build upon these successes to improve patient safety and reduce costs, waste, and abuse while identifying potential fraud and making appropriate referrals to the DOL Office of Inspector General for investigation and prosecution.

## SPECIAL BENEFITS

### BUDGET ACTIVITY BY OBJECT CLASS

(Dollars in Thousands)

	FY 2025 Enacted	FY 2026 Enacted	FY 2027 Request	Diff. FY 2027 Request / FY 2026 Enacted
11.1 Full-time permanent	21,760	16,713	16,713	0
11.5 Other personnel compensation	575	707	707	0
12.1 Personnel Benefits	8,207	6,477	6,477	0
12.1 FECA	1,414	1,705	1,739	34
13.0 Benefits for former personnel	0	3	3	0
21.0 Travel and transportation of persons	196	153	153	0
23.1 Rental payments to GSA	770	0	0	0
23.3 Communications, utilities, and misc.	16	15	15	0
24.0 Printing and reproduction	7	0	0	0
25.2 Other services from non-Federal sources	9,947	27,139	27,105	-34
25.3 Other goods and svcs. from Fed. sources	16,455	10,346	10,346	0
25.3 WCF (Non-Add)	22,447	16,494	16,494	0
25.7 Operation and maint. of equipment	2,173	1,851	1,851	0
26.0 Supplies and materials	47	58	58	0
31.0 Equipment	92	122	122	0
42.0 Insurance claims and indemnities	0	25	25	0
<b>Total</b>	<b>84,106</b>	<b>81,808</b>	<b>81,808</b>	<b>0</b>

## SPECIAL BENEFITS

### CHANGES IN FY 2027

(Dollars in Thousands)

#### Activity Changes

##### Built-Ins

Federal Employees' Compensation Act \$34

**Built-Ins Subtotal \$34**

**Base \$81,808 128**

**Net Program Subtotal \$0 0**

Other -\$34 0

**Total Activity Appropriation \$81,808 128**

**Base \$81,808 128**

**Program Increases \$0 0**

**Program Decreases \$0 0**