

FY 2011

CONGRESSIONAL BUDGET JUSTIFICATION

OFFICE OF WORKERS COMPENSATION PROGRAMS

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, as amended, [~~\$187,000,000~~] \$183,000,000, 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 reemployed, disabled beneficiary: *Provided further*, That balances of reimbursements and appropriations unobligated on September 30, [2009] 2010, 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, [2010] 2011: *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'

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Compensation Act [*\$58,120,000*] *\$58,364,000* shall be made available to the Secretary as follows: (1) for enhancement and maintenance of automated data processing systems and telecommunications systems, [*\$19,968,000*] *\$17,318,000*; (2) for automated workload processing operations, including document imaging, centralized mail intake and medical bill processing, [*\$23,323,000*] *\$25,973,000*; (3) for periodic roll management and medical review, [*\$14,829,000*] *\$15,073,000*; and 4) 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 chapter 81 of title 5, United States Code, 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. (*Department of Labor Appropriations Act, 2010.*)

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Explanation of Language Changes

Not Applicable

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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 Employment Standards Administration 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, 2010, 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

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Employment Standards Administration 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, 2011: . . . ”

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, \$58,364,000 shall be made available to the Secretary as follows: (1) for enhancement and maintenance of automated data processing systems and telecommunications systems, \$17,318,000; (2) for automated workload processing, operations, including document imaging, centralized mail intake, and medical bill processing, \$25,973,000; (3) for periodic roll management and medical review, \$15,073,000; and (4) the remaining funds shall be paid into the Treasury as miscellaneous receipts: . . . ”

It further provides that \$58,364,000 of those funds shall be made available to the Secretary of Labor for certain administrative expenditures, including the operation and enhancement of the (Federal Employees' Compensation) computer system, program staff training on the document imaging system, and Federal FTE and other resources for periodic roll management and financial management activities intended to support FECA program and its ability to oversee and control outlays from the Compensation Fund. 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

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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 2009 Comparable		Recovery Act		FY 2010 Estimate		FY 2011 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation (Amount shown in Appropriation Language)	127	163,000	0	0	127	187,000	127	183,000
Other Supplementals and Rescissions	0	0	0	0	0	0	0	0
Appropriation, Revised	0	0	0	0	0	0	0	0
Offsetting Collections From:	0	0	0	0	0	0	0	0
Reimbursements (includes Fair Share funding)	0	1,531,000	0	0	0	2,709,000	0	2,759,000
Trust Funds	0	0	0	0	0	0	0	0
Fees	0	0	0	0	0	0	0	0
<i>A.2) Subtotal</i>	<i>0</i>	<i>1,531,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2,709,000</i>	<i>0</i>	<i>2,759,000</i>
B. Gross Budget Authority	127	1,694,000	0	0	127	2,897,000	127	2,942,000
Offsetting Collections	0	0	0	0	0	0	0	0
Deduction: (all entries are negative)	0	0	0	0	0	0	0	0
Reimbursements	0	0	0	0	0	0	0	0
Fees	0	0	0	0	0	0	0	0
Unobligated Balance	0	1,623,000	0	0	0	534,000	0	569,000
<i>B.1) Subtotal</i>	<i>127</i>	<i>1,623,000</i>	<i>0</i>	<i>0</i>	<i>127</i>	<i>534,000</i>	<i>127</i>	<i>569,000</i>
C. Budget Authority	127	3,317,000	0	0	127	3,430,000	127	3,511,000
Before Committee	0	0	0	0	0	0	0	0
Offsetting Collections From:	0	0	0	0	0	0	0	0
Reimbursements	0	4,000	0	0	0	0	0	0
Fees	0	0	0	0	0	0	0	0
IT Crosscut	0	0	0	0	0	0	0	0
<i>C.1) Subtotal</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
D. Total Budgetary Resources	127	3,321,000	0	0	127	3,430,000	127	3,511,000
Other Unobligated Balances	0	-534,000	0	0	0	-569,000	0	-580,000
Unobligated Balance Expiring	0	0	0	0	0	0	0	0
E. Total, Estimated Obligations	127	2,787,000	0	0	127	2,861,000	127	2,931,000

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SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2010 Estimate	FY 2011 Request	Net Change
Budget Authority			
General Funds	187,000	183,000	-4,000
Offsetting Collections (including Fair Share)	2,709,000	2,759,000	+50,000
Fair Share Administrative Expense (non-add)	(58,120)	(58,364)	(244)
Carryover from previous year	534,000	569,000	+35,000
Total - includes rescissions & transfers	3,430,000	3,511,000	+81,000
Full Time Equivalents			
General Funds	127	127	0
Total	127	127	0

Explanation of Change	FY 2010 Base		Trust Funds		FY 2011 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	127	10,782	0	0	0	168	0	168
Personnel benefits	0	2,804	0	0	0	43	0	43
Travel and transportation of persons	0	57	0	0	0	0	0	0
Rental payments to GSA	0	2,357	0	0	0	33	0	33
Communications, utilities, and miscellaneous charges	0	180	0	0	0	0	0	0
Printing and reproduction	0	14	0	0	0	0	0	0
Other services	0	16,921	0	0	0	0	0	0
Working Capital Fund	0	1,136	0	0	0	0	0	0
Other government accounts (Working Capital Fund)	0	12	0	0	0	0	0	0
Operation and maintenance of equipment	0	22,525	0	0	0	0	0	0
Supplies and materials	0	40	0	0	0	0	0	0
Equipment	0	1,292	0	0	0	0	0	0
Built-Ins Subtotal	127	58,120	0	0	0	244	0	244
B. Programs:								
Change in Offsetting Benefit Collections	0	2,709,000	0	0	0	50,000	0	50,000
Change in Carryover from FY 2010	0	534,000	0	0	0	35,000	0	35,000
C. Financing:								
Total Increase	127	3,243,000	0	0	0	85,000	0	85,000
Decreases:								
A. Built-Ins:								

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Explanation of Change	FY 2010 Base		FY 2011 Change				Total	
			Trust Funds		General Funds			
To Provide For:								
Built-Ins Subtotal	0	0	0	0	0	0	0	0
B. Programs:								
Budget Authority	0	187,000	0	0	0	-4,000	0	-4,000
C. Financing:								
Total Decrease	0	187,000	0	0	0	-4,000	0	-4,000
Total Change	127	3,430,000	0	0	0	81,000	0	81,000

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY (Dollars in Thousands)								
	FY 2009 Comparable		Recovery Act		FY 2010 Estimate		FY 2011 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Total Obligational Authority	123	3,321,000	0	0	127	3,430,000	127	3,511,000
Federal Employees' Compensation Act Benefits	0	3,105,280	0	0	0	3,184,880	0	3,269,636
Federal Employees' Compensation Act Appropriation	0	160,000	0	0	0	184,000	0	180,000
FECA Fair Share	123	52,720	0	0	127	58,120	127	58,364
Longshore and Harbor Workers' Compensation Benefits	0	3,000	0	0	0	3,000	0	3,000

NOTE: FY 2009 reflects actual FTE.

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SIGNIFICANT ITEMS IN APPROPRIATION COMMITTEES' REPORTS

S. Report 111-66 Page 25	The Committee recommends continuation of appropriation language that provides authority to use the FECA fund to reimburse a new employer for a portion of the salary of a newly re-employed injured Federal worker.	ESA
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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
2001	59,000	59,000	59,000	59,000	125
2002	124,000	124,000	124,000	124,000	124
2003	166,000	166,000	166,000	166,000	133
2004	166,000	166,000	166,000	166,000	133
2005	236,000	236,000	236,000	236,000	128
2006	240,000	240,000	240,000	240,000	127
2007	230,000	230,000	230,000	230,000	127
2008	203,000	203,000	203,000	203,000	127
2009	163,000	0	163,000	163,000	127
2010	187,000	187,000	187,000	187,000	127
2011	183,000	0	0	0	127

SPECIAL BENEFITS

OVERVIEW

Introduction

The Special Benefits fund, administered by the Office of Workers' Compensation Program (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. The fund also provides resources for FECA program administration from collections made pursuant to an annual "fair share" assessment of certain non-appropriated agencies under Section 8147(c) of the FECA. Fair Share funding is used for FECA program capital investments and other projects that provide control and oversight of the FECA Compensation Fund.

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.

Through the provision of benefits to workers injured on the job and support for their return to work, combined with Periodic Roll Management, review of medical bills and services, oversight of benefit expenditures, and automated system support of claims and payment operations, the Special Benefit Fund resources support achievement of the Secretary's vision of "*good jobs for everyone*" and the following Departmental strategic and outcome goals:

Strategic Goal 4: Secure health benefits and, for those not work, provide income security.

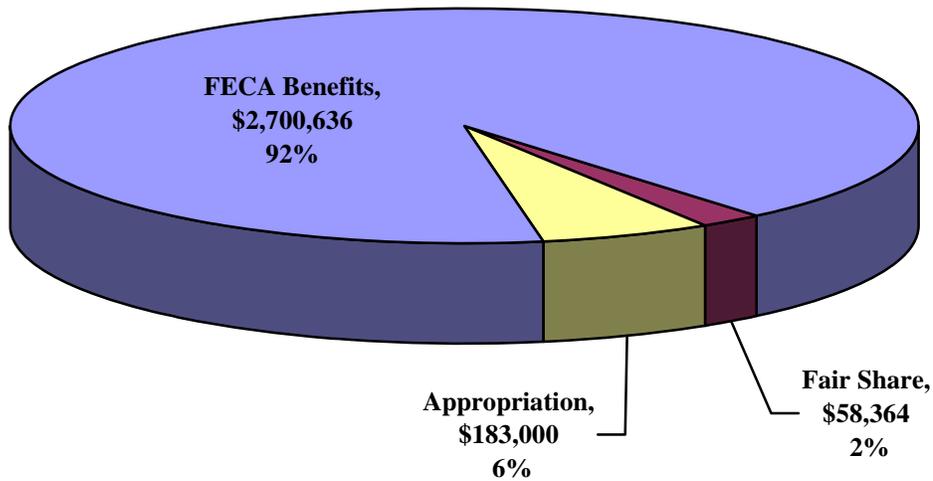
- Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work
- Ensure income support when work is impossible or unavailable

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Cost Model

Total new budget authority requested for Special Benefits in FY 2011 is \$2,942,000,000, consisting of direct appropriations of \$180,000,000 for FECA and \$3,000,000 for Longshore and Harbor Workers' benefits and offsetting collections for FECA benefits and Fair Share administration from Federal agencies of \$2,700,636,000, and \$58,364,000 for Fair Share administration.

FY 2011 Budget Request
Special Benefits Budget Request \$2,942,000
(Dollars in Thousands)



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BUDGET AUTHORITY BEFORE THE COMMITTEE							
(Dollars in Thousands)							
	FY 2009 Comparable	Recovery Act	FY 2010 Enacted	FY 2010 Estimate	Diff. FY 09 Comp. / FY 10 Est	FY 2011 Request	Diff. FY 10 Est. / FY 11 Req.
Activity Appropriation	52,720	0	58,120	58,120	5,400	58,364	244
FTE	123	0	127	127	0	127	0

NOTE: FY 2009 reflects actual FTE. Authorized FTE for FY 2009 was 127

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 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; 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.

Resources needed to meet required payments of benefits from the Special Benefits fund are composed of direct appropriations and reimbursements from other Federal and non-Federal agencies for the cost of compensation and medical care incurred by the Department of Labor (DOL) on behalf of these employees.

Fair Share financing provides for operations and maintenance of the Integrated Federal Employees' Compensation System (iFECS); support for the document imaging system; operation of centralized mail intake and centralized bill processing; maintenance of DFEC's telecommunications system; and Periodic Roll Management (PRM) and Medical Bill Review (MBR). These investments are aimed at improving services and better managing the expenditure of compensation funds.

Funding Mechanism

The Special Benefits account is a mandatory account providing funding for compensation and medical benefits through direct appropriation and offsetting collections and for DFEC administration in the form of FECA Fair Share funding.

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Five-Year Budget Activity History

Fiscal Year	Appropriation	Fair Share Funding	FTE
2006	234,000	53,695	127
2007	224,000	51,034	127
2008	200,000	52,280	127
2009	160,000	52,720	127
2010	184,000	58,120	127

FY 2011

Total new budget authority requested for Special Benefits in FY 2011 is \$2,942,000,000, consisting of direct appropriations of \$180,000,000 for FECA and \$3,000,000 for Longshore and Harbor Workers' benefits and \$2,700,636,000 in offsetting benefit collections and Fair Share collections of \$58,364,000 to support the Periodic Roll Management and Medical Bill Review activities, the centralized mail intake and medical bill processing operations, and DFEC automated system operations.

Since FY 2005, DFEC has been consolidating many data processing and work processes. Those included IT system modernization, centralization of mail intake and document imaging, and centralization of medical bill processing. DFEC continues to pursue technology and other solutions to improve efficiency and effectiveness, particularly the expansion of the capabilities of the Integrated Federal Employees' Compensation System (iFECS).

The FY 2011 Request includes funding for additional iFECS enhancements:

- Improve delivery of FECA Chargeback data to strengthen Federal agencies' ability to analyze and manage injury cases and costs.
- Support DFEC's Continuity of Operations (COOP) responsibilities and improve DFEC jobs and workplace flexibility.
- Improve research capacity for better measurement and analysis of FECA claims processes, resource allocations, and performance results.

The first enhancement will enable Federal employers to more readily access FECA Chargeback cost and case status information providing better intelligence for their case management and return to work efforts. This access will also assist the agencies to more effectively identify and investigate fraud, waste, and abuse. More efficient delivery of Chargeback data will also increase FECA program transparency and enable more frequent interim financial reporting.

iFECS enhancements will provide an expanded telework capability that will enable DFEC to continue to deliver benefits and services in the event of a disaster or extended pandemic outbreak. Telework also provides additional job flexibility and employment enhancements for DFEC staff. New software will enable staff to input claims data and documents into the system and provide online access to program resources, such as the FECA Procedure Manual. The

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Interactive Voice Response system, upgraded in FY 2010, will support remote-site work with the capability to forward and handle calls and messages and to assign tasks to the remote locations.

Proper identification of cases and a correct combination of case management strategies employed as early as possible following injury can shorten injury case disability periods and increase the success of return to work. Resources will be used to acquire additional automated data storage capacity and additional business intelligence tools to load, transform, and retrieve data from the repository. An improved knowledge base will provide DFEC with more extensive and timely information on FECA injury cases and will improve performance measurement and the understanding of program results.

FY 2010

Total new budget authority for Special Benefits is \$2,896,000,000 including a direct appropriation of \$187,000,000 for FECA and Longshore and Harbor Workers' Compensation benefits and \$2,709,000,000 in offsetting collections from Federal agencies. Collections include \$2,650,880 for FECA benefits and \$58,120,000 in Fair Share collections for DFEC administration.

Fair Share funding includes \$4,300,000 for systems operations improvements to reduce operational costs and increase productivity. These include technical upgrades and centralization of the Interactive Voice Response system to improve access for customers and more efficient call handling; development of a Web-based portal to expand automation of receipt of claims for earlier notification of injuries and create central database of new claims information; and consolidation to increase the efficiency of case creation operations.

FECA program activities supported by Fair Share resources will include:

- Periodic Roll Management and Medical Bill Review
- Centralized medical bill processing and medical services authorization;
- Centralized mail intake;
- Continued improvement of basic business processes through improved automation, taking advantage of the capabilities of DFEC's Integrated Federal Employees' Compensation System (iFECS).

FY 2009

Obligations for FECA benefits increased by only 2.8 percent in FY 2009 to a total \$2,861,300,000 including \$2,784,705,000 for FECA benefits and \$2,246,000 in Longshore and Harbor Workers' Compensation benefits.

Fair Share obligations were \$52,127,623 and supported:

- Periodic Roll Management which produced \$14 million in compensation benefit savings in FY 2009 through adjustments or termination of benefits resulting from review of long-term disability cases;
- Continued containment of medical costs through centralized medical bill processing, fee

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schedule adjustments, and monitoring of claims;

- Centralized mail intake and document imaging;
- Automated system enhancements to revitalize the Telephonic Nurse program and improved coordination with Federal agencies in the continuation-of-pay (COP) period to improve case outcomes and increase return to work;
- Continued improvement of basic business processes, including full leveraging of modernized automated processing through the Integrated Federal Employees' Compensation System (iFECS); expansion of automated receipt of claims; and increasing use of electronic information services.

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WORKLOAD SUMMARY				
	FY 2009		FY 2010	FY 2011
	Target	Result	Target	Target
FECA Fair Share				
Incoming Workload				
Cases Created	132,000	129,690 (r)	130,000	130,000
Wage-Loss Claims Received	19,000	18,808 (r)	19,000	19,000
Compensation payments and Medical bills processed	5,800,000	5,733,825 (r)	6,000,000	6,000,000
Periodic Payment Cases	50,000	49,672 (r)	49,000	48,500
Output and Performance Measures				
PRM Universe Cases	35,000	36,000 (r)	34,000	33,000
PRM Final Resolutions	2,600	3,706 (r)	2,600	2,600
Savings due to adjustments and terminations	\$15,000.00	\$14,000.00 (r)	\$14,000.00	\$14,000.00

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

- 1/ Medical bills include both those approved and denied for payment.
- 2/ Includes all long-term disability and fatality cases.
- 3/ Includes only long-term disability cases assigned to PRM review units.
- 4/ Does not include case review resolutions due to death of beneficiary.

Workload Summary

DFEC will continue its PRM strategy to service cases with longer-term or permanent disabilities in an effort to assess continued eligibility for benefits. Long-term case management outcomes are expressed in DFEC's performance goal to reduce compensation benefit costs through its PRM reviews. Directed PRM reviews produced an additional \$14,000,000 in savings in FY 2009.

OWCP's success in medical cost control results from several administrative steps taken in recent years (centralized bill processing, strengthened review of treatment authorization requests, fee schedules, and stronger automated edits and other controls) – initiatives made possible through Fair Share funding. In FY 2009, the rate of increase in average FECA medical benefit payments rose by 4.6 percent, below the national average of 7.4 percent as reported by the Milliman USA Health Cost Index. The rate of growth in average FECA medical case costs has consistently remained below the growth rate in nationwide costs. FECA's lower growth rate is equivalent to nearly \$27,000,000 in lower annual medical treatment costs since FY 2001 compared to Milliman.

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BUDGET ACTIVITY BY OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Comparable	Recovery Act	FY 2010 Estimate	FY 2011 Request	Change FY 11 Req. / FY 10 Est.
11.1	Full-time permanent	10,264	0	10,467	10,630	163
11.5	Other personnel compensation	326	0	315	320	5
11.9	Total personnel compensation	10,590	0	10,782	10,950	168
12.1	Civilian personnel benefits	2,730	0	2,804	2,847	43
21.0	Travel and transportation of persons	57	0	57	57	0
23.1	Rental payments to GSA	2,345	0	2,357	2,390	33
23.3	Communications, utilities, and miscellaneous charges	180	0	180	180	0
24.0	Printing and reproduction	0	0	14	14	0
25.2	Other services	15,147	0	16,921	16,921	0
25.3	Other purchases of goods and services from Government accounts 1/	1,097	0	1,148	1,148	0
25.7	Operation and maintenance of equipment	20,095	0	22,525	22,525	0
26.0	Supplies and materials	40	0	40	40	0
31.0	Equipment	439	0	1,292	1,292	0
	Total	52,720	0	58,120	58,364	244
1/Other Purchases of Goods and Services From Government Accounts						
	Services by Other Government Departments	7	0	0	0	0
	Working Capital Fund	1,085	0	1,136	1,136	0
	GSA Services	5	0	12	12	0

SPECIAL BENEFITS

CHANGES IN FY 2011

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$168

Personnel benefits 43

Rental payments to GSA 33

Built-Ins Subtotal 244

	Estimate	FTE
Base	58,364	127

SPECIAL BENEFITS

BUDGET AUTHORITY BEFORE THE COMMITTEE							
(Dollars in Thousands)							
	FY 2009 Comparable	Recovery Act	FY 2010 Enacted	FY 2010 Estimate	Diff. FY 09 Comp. / FY 10 Est	FY 2011 Request	Diff. FY 10 Est. / FY 11 Req.
Activity Appropriation	3,000	0	3,000	3,000	0	3,000	0
FTE	0	0	0	0	0	0	0

NOTE: FY 2009 reflects actual FTE. Authorized FTE for FY 2009 was 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>
2006	3,000	0
2007	3,000	0
2008	3,000	0
2009	3,000	0
2010	3,000	0

NOTE: Excludes Recovery Act Funding. See budget activity head table.

FY 2011

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 2011, the Federal share of required payments will be \$3,000,000, which will include the increase necessary for the annual October weekly wage adjustment.

SPECIAL BENEFITS

FY 2010

In FY 2010, 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 2009

The Longshore program continued to provide prompt and accurate payment of compensation and related benefits to claimants, pursuant to Section 10(h)(2) of the amended Act. In FY 2009, the Federal share of required payments was \$2,246,287.