

**FY 2016**

**CONGRESSIONAL BUDGET JUSTIFICATION**

**OFFICE OF WORKERS' COMPENSATION PROGRAMS**

**OVERVIEW**

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# OFFICE OF WORKERS' COMPENSATION PROGRAMS

## TABLE OF CONTENTS

Overview.....	1
Organization Chart.....	6
Authorizing Statutes.....	7

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# OFFICE OF WORKERS' COMPENSATION PROGRAMS

## OVERVIEW

### Introduction

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

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

The OWCP Strategic Plan supports this mission and vision by identifying five goal areas, each of which highlights a key aspect of OWCP's business. The five goals are:

- **Improve Claims Review, Adjudication, Issue Resolution and Payment:** Provide timely and high quality review and adjudication of claims, early resolution of claims issues, and timely and accurate payment of benefits.
- **Enhance Recovery, Rehabilitation, and Employment Services:** Assist workers in obtaining early post-injury nurse intervention and return-to-work services, vocational rehabilitation and job placement assistance as soon as they are able.
- **Promote Collaboration and Outreach with Stakeholders and Customer Groups:** Foster understanding and awareness of OWCP priorities, initiatives, and results through effective external outreach and data sharing.
- **Create and Sustain a High Performing Workforce:** Create and foster the highest quality work environment for all of our employees through leadership, communication and collaboration, recruitment, development, recognition, engagement and retention.
- **Improve Agency-wide Operations, Governance and Infrastructure:** Support the activities of our programs, managers, and staff by improving the administrative management, information technology, financial, and physical infrastructure of OWCP.

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

## OFFICE OF WORKERS' COMPENSATION PROGRAMS

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

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

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

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

OWCP's national office consists of the OWCP Director and Deputy Director, the directors and staff of four program divisions, and directors and staff of two administrative divisions. Six OWCP Regional Directors manage and direct the operations of district and field offices nationwide.

Upon enactment of FY 2015 appropriations, centralized technology support within OWCP is now funded from the appropriations for the Division of Federal Employees' Compensation (DFEC) and the Division of Longshore and Harbor Workers' Compensation (DLHWC) activities rather than as a separate line item. As a first step to this realignment of funding for IT services, OWCP has affected a comparative transfer of the funds previously allocated to the Division of Technology and Standards for these activities. The funding tables reflect the transfer to make FY 2014 comparable. Other IT infrastructure functions continue to be provided by the Office of the Chief Information Officer (OCIO) under a Memorandum of Understanding which established

## OFFICE OF WORKERS' COMPENSATION PROGRAMS

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 (FPWC):** Provides funding, through direct appropriation and transfers from Trust Funds, for the administration of the FECA, LHWCA and for OWCP's administration of the Black Lung Disability Trust Fund and claims filed under Part C of the Black Lung Benefits Act (BLBA).
- **Special Benefits:** Finances payments to Federal civilians and Longshore and Harbor Workers and their dependents for work-related injuries and illnesses. Under legislative amendments to extensions of FECA, benefits are also paid to certain groups such as War Hazards claimants, non-Federal law enforcement officers, Job Corps enrollees, and certain federally supported volunteers. The Special Benefits account also provides for FECA program administration using "Fair Share" funds collected pursuant to FECA Section 8147 (c).
- **Special Benefits for Disabled Coal Miners (SBDCM):** Finances income maintenance to miners suffering from Black Lung disease and eligible survivors for claims filed under Part B of the BLBA between December 30, 1969, and June 30, 1973, and associated administrative costs.
- **Energy Employees Occupational Illness Compensation Program Act (EEOICPA):** Part B and Part E provide compensation to Department of Energy (DOE) employees and their survivors, as well as contractors, for illness or death stemming from work in the (DOE) nuclear weapons complex.
- **Black Lung Disability Trust Fund (BLDTF):** Established under the Black Lung Benefits Reform Act of 1977 to provide for payment of Part C benefits (income maintenance and medical payments to miners suffering from Black Lung disease and eligible survivors), administrative expenses, and interest on repayable advances.
- **The Panama Canal Commission (PCC) Compensation Fund:** Established to provide for the accumulation of funds to meet the Commission's FECA workers' compensation, cost obligations that extend beyond the dissolution of the PCC on December 31, 1999, under the Panama Canal Treaty of 1977. This Fund was established in conjunction with the transfer of the administration of the FECA program from the Commission to DOL, OWCP effective January 1, 1989.
- **The Special Workers' Compensation 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, costs for vocational rehabilitation services to injured workers, and benefits for cases involving insolvency or other circumstances precluding payment by the employer.

OWCP's FY 2016 requested resources total \$355,736,000. The budget breakout is as below:

- \$103,242,000 and 726 FTE in FECA Salaries & Expenses;
- \$62,170,000 and 110 FTE in Special Benefits Fair Share;

## OFFICE OF WORKERS' COMPENSATION PROGRAMS

- \$14,155,000 and 93 FTE for Longshore General;
- \$2,177,000 and 9 FTE for Longshore Trust;
- \$35,244,000 and 163 FTE for DCMWC;
- \$5,302,000 and 16 FTE for SBDCM;
- \$58,552,000 and 263 FTE in EEOICPA Part B (\$744,000 and 4 of the requested FTE are for the Ombudsman); and
- \$74,894,000 and 236 FTE in EEOICPA Part E (\$947,000 and 2 of the requested FTE are for the Ombudsman).

OWCP program increases in FY 2016 include:

- \$4,923,000 for resources to continue to update OWCP's workers' compensation claims processing systems by leveraging proven, existing IT investments to deploy shared services and best practices of each of the four program offices, establishing the OWCP Workers' Compensation System (OWCS). This initiative addresses the President's Management Agenda through the theme of *Improving Service Delivery Through Information Technology*. In FY 2014, OWCP planned and implemented the OWCP Imaging System (OIS), the call center/telephone technology (IVR), and began deploying the OWCP Unified Reporting System (OURS) using base funding. OWCP will continue to deploy OURS in FY 2015. The FY 2016 request will enable OWCP to make a significant step toward full integration into a single compensation system for OWCP which will increase efficiency, reduce claims processing time, and improve customer service. OWCP will consolidate large portions of two of the current stovepipe systems using a modular development approach with useable functionality being released to users at regular intervals of between 6 and 12 months.

Efforts undertaken with base funding in FY 2014 and 2015 will result in estimated savings of approximately \$3 million in FY 2016. The requested increase would lead to continued cost savings that increase to over \$35 million annually by FY 2020, when all OWCP programs are projected to be on OWCS. These ongoing savings include reduced mailing costs, savings achieved through the value of making faster claims payments, and administrative savings achieved through a reduction in claim errors. Included in that is over \$4 million in anticipated savings from a reduction in the total contractor staff needed to maintain the current stove-pipe systems. Also included is an anticipated 50% decrease in Operations and Maintenance costs for all four OWCP program offices. Funding in FY 2016 for the initiative is being requested in the following three OWCP mandatory administrative appropriations: FECA Fair Share, BLDTF-DCMWC Salaries and Expenses, and EEOICPA Part B;

- \$1,102,000 and 7 FTE increase in DLHWC for Defense Base Act claims processing support;
- \$150,000 and 1 FTE for actuarial and economic analytical support in the Division of Financial Administration;
- \$900,000 for resources to fund OWCP's space consolidation efforts;



## OFFICE OF WORKERS' COMPENSATION PROGRAMS

- \$2,432,000 for resources in DCMWC to restore BLDTF funding sequestered in the FY 2015 Enacted Level;
- \$384,000 for resources in SBDCM to restore funding sequestered in the FY 2015 Enacted Level;
- \$5,359,000 for resources in EEOICPA Part B to restore funding sequestered in the FY 2015 Enacted Level;
- \$7,071,000 for resources in EEOICPA Part E to restore funding sequestered in the FY 2015 Enacted Level.

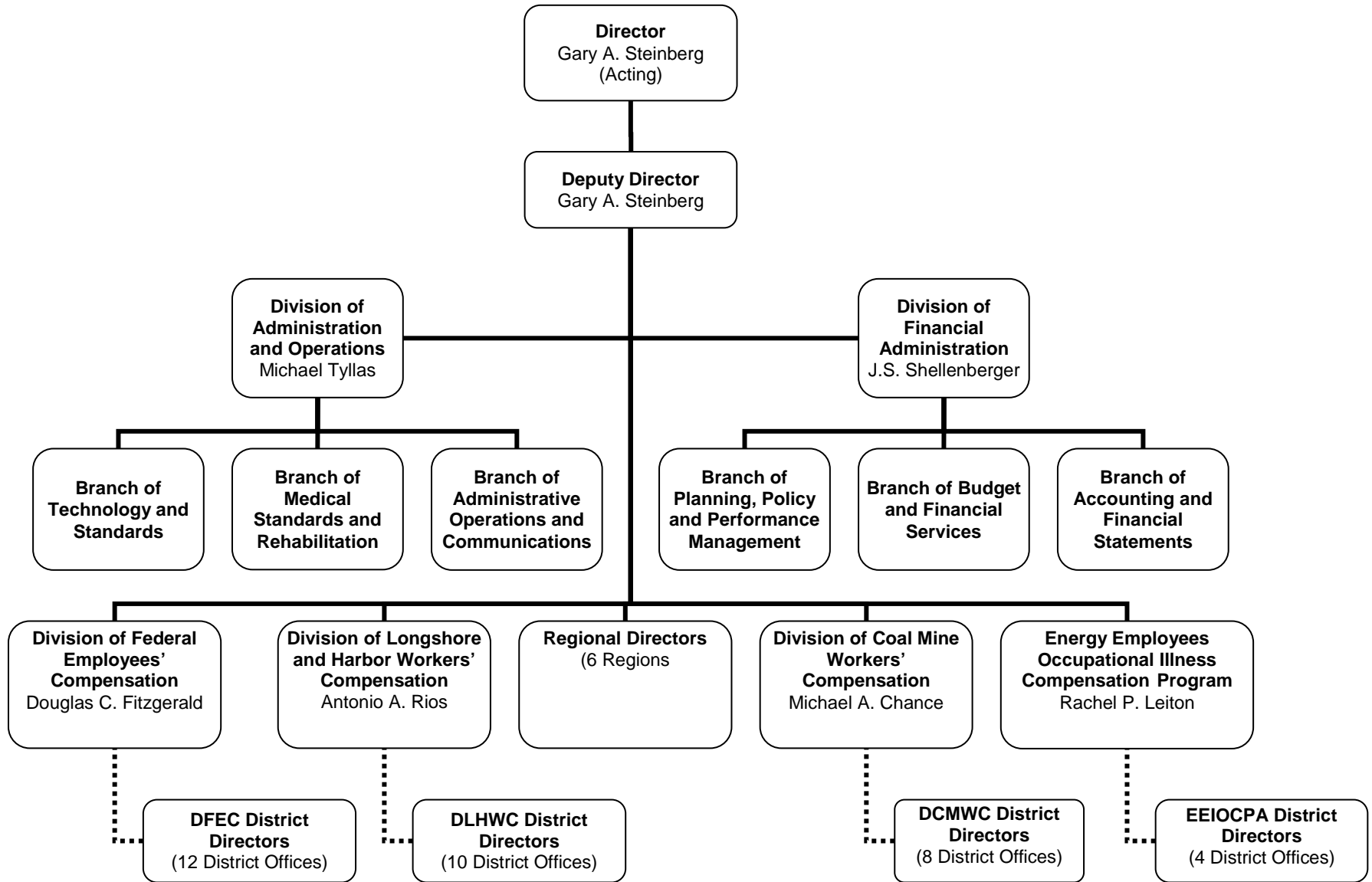
### **Legislative Reform**

#### Federal Employees Compensation Act

The FY 2016 budget acts on longstanding Government Accountability Office, Congressional Budget Office, and Labor Office of Inspector General recommendations to improve and update FECA. The legislative proposal would prospectively amend FECA (for new injuries/new claims for disability post-enactment) to provide a uniform wage-loss compensation rate of 70%; convert retirement-age beneficiaries to a retirement level conversion benefit while removing certain mandatory obligations on suitable employment and vocational rehabilitation; establish an up-front 3 day waiting period for benefits for all beneficiaries; permit the Department of Labor to recapture additional program costs from responsible third parties; and authorize the Department to cross-match FECA records with Social Security records without obtaining claimant authorization to reduce improper payments. In addition, the proposal would increase benefit levels for facial disfigurement, which have not been updated since 1949, and for funeral expenses, which have not been updated since 1960. The proposal would also include a provision to allow the Department to add an administrative surcharge to the amount billed to appropriated Federal agencies for their FECA compensation costs beginning in FY 2017, thereby moving the costs of administering the FECA program from the Department to Federal agencies in proportion to their usage and strengthening their incentives to promote workplace safety and speed reemployment of injured workers. These reforms would produce 10-year government-wide savings of more than \$368 million. The FY 2016 Request does not include reductions due to this legislative proposal.

# OFFICE OF WORKERS' COMPENSATION PROGRAMS

## Office of Workers' Compensation Programs Organization Chart



# OFFICE OF WORKERS' COMPENSATION PROGRAMS

## 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