Estimated Actuarial Liability for Worker's Compensation
for Non-CFO Act Entities FY 2024 (Unaudited)

In FY 2024 and FY 2023, the methodology for billable projected liabilities included, among other things: (1) an algorithmic model that relies on individual case characteristics and benefit payments (the FECA Case Reserve Model) and (2) incurred but not reported claims were estimated using the patterns of incurred benefit liabilities in addition to those of payments.

Attached is a calculator for estimating a FECA actuarial liability (unaudited) for an entity not specifically listed in the results of the FECA actuarial model, based on an extrapolation from the actual charges experienced recently by the Agency. This procedure is not an allocation of a listed liability amount – the total liabilities calculated for an agency's sub agencies would not necessarily add to the amount listed for the Agency as a whole. It is, however, a way to calculate a reasonable estimate of liability for an unlisted entity.

For both compensation and medical, the calculation takes the amount of benefit payments for the entity over the last 12 quarters and calculates the annual average of payments. Compensation and medical payments can be found in the chargeback reports that are issued quarterly to the agencies by FECA.

The two average payment amounts are then multiplied by the respective compensation and medical liability to benefits paid ratios from the whole FECA program for the past three years, which have been entered into the spreadsheet already. These ratios vary from year to year as a result of economic assumptions and other factors but, roughly speaking, the model calculates an overall liability of about 11.53 times the annual payments. For your reference, we have provided the calculations for how the overall LPR of 11.53 was derived. [See Table: Calculation of Liability to Payment Ratios (LPRs)]

To reflect the variability of the situations at different agencies, each agency should exercise judgment in selecting the amount to record as its actuarial liability, whether it is the amount from the model based on 100 percent of LPR, the amount based on LPR decreased by 10 percent, or the amount based on LPR increased by 10 percent. Factors to consider include: the trend of payments over the past few years and any known recent variations in the incidence or nature of new FECA claims. Thus, an agency with a history of declining payments or a declining number of employees might select a lower estimate as the most reasonable, while an agency with an unusually increasing number of payments might select a higher estimate as most appropriate. Similarly, an agency that has had a recent increase in new claims might use a higher estimate. Young agencies will often fall into the latter two categories and should choose the higher estimate.

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This calculator is intended for situations where the FECA actuarial liability is immaterial to the agency's financial statements. If that is not the case, management should consider adopting a more exhaustive actuarial model approach to estimating this liability.

As a last resort, for agencies with very small numbers of claims, a census driven methodology may be more appropriate. For instance, management might evaluate each claim: consider the nature of the injury, the age of the claimant, estimated duration, and other data to arrive at an estimate of expected payments by case. Management would then have to consider whether the claims history is sufficient to provide a basis by which to measure incurred but unreported claims. As a rule, this should not be done without first considering the estimate using this model.

The American Rescue Plan Act of 2021 (ARPA), P.L. 117-2, section 4016, "Eligibility for Workers' Compensation Benefits for Federal Employees Diagnosed with COVID-19," mandated that the FECA Special Benefits Fund assume an **unreimbursed** liability (i.e., a liability that is not chargeable to the agencies) for approved claims of certain covered employees for injuries proximately caused by exposure to the novel coronavirus that causes COVID-19 (or another coronavirus declared to be a pandemic by public health authorities) while performing official duties during the covered exposure period. Pursuant to the ARPA, COVID-19 claims filed or adjudicated under the ARPA standards after March 11, 2021 and where COVID-19 is diagnosed on or before January 27, 2023 are included in the **non-billable** liabilities; accordingly, the methodology for the Workers Compensation Liability Calculator for 2024 properly omits these future benefits.

Procedure for using the attached calculator:

1. In the column Medical Benefit Amount and the column Compensation Benefit Amount of the Workers Compensation Liability Calculator for 2024, enter the medical and benefit payment totals for the agency from the quarterly or annual chargeback reports received from FECA.
2. Change the print heading to show the Agency name (page setup).
3. Print out the calculator.
4. Evaluate the payment and case history of the agency to choose the appropriate liability estimate to record as the Agency liability.
5. Document the decision process in step 4 with appropriate memos and analysis.
6. Record the liability.

Workers Compensation Liability Calculator for FY 2024				
Template for User Input Data				
TYPICAL DATA SOURCE	PERIOD	MEDICAL BENEFIT AMOUNT	COMPENSATION BENEFIT AMOUNT	TOTAL BENEFIT AMOUNT (COMP. + MED.)
Summary Chargeback Report	FY 2022	$ 110,000.00	$ 250,000.00	$ 360,000.00
Summary Chargeback Report	FY 2023	$ 120,000.00	$ 260,000.00	$ 380,000.00
Summary Chargeback Report	FY 2024	$ 130,000.00	$ 270,000.00	$ 400,000.00
Total charges		**$ 360,000.00**	**$ 780,000.00**	**$ 1,140,000.00**
Number of data quarters included		12	12	12
Average of annual benefit payments		**$ 120,000.00**	**$ 260,000.00**	**$ 380,000.00**

LIABILITY DETERMINATION UTILIZING FECA ACTUARIAL MODEL LIABILITY TO BENEFITS PAID RATIOS				
	MEDICAL LIABILITY	COMPENSATION LIABILITY	TOTAL LIABILITY (COMP. + MED.)	PERCENT CHANGE FROM OVERALL
Upper estimate				10%
Liability-to-Payment Ratios	9.17	14.04		
Liability	$ 1,100,746.58	$ 3,649,545.70	$ 4,750,292.28	
Overall model estimate (Primary):				0%
Liability-to-Payment Ratios	8.34	12.76	11.53	
Liability	**$ 1,000,678.71**	**$ 3,317,768.82**	**$ 4,318,447.53**	
Lower estimate				-10%
Liability-to-Payment Ratios	7.51	11.48		
Liability	$ 900,610.84	$ 2,985,991.93	$ 3,886,602.78	

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Calculation of Liability to Payment Ratios (LPRs)							
CBY	**Medical Benefits**	**Medical Liability**	**Medical LPR**	**Comp. Benefits**	**Comp. Liability**	**Comp. LPR**	**Overall LPR**
2022	701,209,063	6,502,186,399	9.27	1,838,801,747	24,246,255,043	13.19	12.11
2023	748,561,009	6,216,478,000	8.30	1,969,847,125	25,266,649,000	12.83	11.58
2024	834,357,990	6,328,655,000	7.59	2,129,913,759	26,267,011,000	12.33	11.00
Summary	2,284,128,062	19,047,319,399	8.34	5,938,562,631	75,779,915,043	12.76	11.53

Benefit amounts are in current dollars from billable claims.

Liability amounts are in discounted current dollars for billable claims.