EMPLOYMENT STANDARDS ADMINISTRATION

Special Benefits

SPECIAL BENEFITS

GENERAL STATEMENT

Introduction

The Special Benefits fund, administered by the Employment Standards Administration, is comprised of two accounts representing obligations for benefits under the Federal Employees' Compensation Act (FECA), as amended, with extensions, and under 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% of the compensation is paid by private insurance companies and/or employers.

Issues, Outcomes and Strategies

The FECA mission consists of four performance areas: Return to Work, Service to Injured Workers, Fiscal Integrity, and Partnerships with Stakeholders to improve administration of the FECA and better assist injured workers. Strategies aligned with these areas address work injury trends and other issues that affect program administration and injury case outcomes.

Major outcomes of the FECA program include control of costs and maintenance of fiscal integrity of the FECA Compensation Funds. DFEC’s emphasis on better injury outcomes produces savings in benefit costs and advances its fiduciary responsibility to Federal employers (who are billed by FECA for the cost of their employees’ benefits) and taxpayers. For example, the average reduction since FY 1996 of 39 days lost from work on average in Quality Case Management (QCM) cases produced over $42,000,000 in compensation savings for the cases measured in FY 2006 alone.

More effective involvement of the Federal employing agencies can also contribute to containment of benefit costs. The Safety, Health and Return-to-Employment (SHARE) initiative to lower injury rates, reduce lost production days, and speed notice of injury filing has generated intense interest among the agencies in the last three years. OWCP and OSHA pursued the extension of SHARE to continue the gains in agency awareness and participation, and to support better disability case outcomes. The President approved a three year extension of the initiative on September 29, 2006.

Through its Periodic Roll Management strategy, DFEC services cases with longer-term or permanent disabilities. PRM consists of actively monitoring cases for changes in medical condition or other status that would require either adjustment of benefits to appropriate levels or would identify a potential for return-to-work. Long-term case management outcomes are expressed in DFEC's performance goal to reduce compensation benefit costs through its PRM reviews. In FY 2006, PRM produced $16,073,000 in compensation benefit savings.

OWCP's success in medical cost control results from several administrative steps OWCP has 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 2006, FECA medical treatment benefit costs per case rose by 6.3% -- below the national average as reported by the Milliman USA Health Cost Index. In fact, 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, compared to Milliman, is equivalent to saving nearly $35,000,000 annually in medical treatment costs since FY 2000.

As customer demands for information and assistance have expanded and become more sophisticated and accelerated, operational capabilities remain limited and communications are costly. Further, claims processing is very labor and time-intensive and so the program must continually seek out more efficient technological and resource management solutions.

The Administration's FY 2008 budget includes legislative reform of the FECA. The goals of the reform are to improve FECA program management and strengthen program integrity, make the Act more equitable and easier to administer, and ensure that the program does not inadvertently undercut incentives for injured employees to return to work. The reform proposes to:

1) Convert compensation for new injuries or new claims for disability to a typical retirement benefit at Social Security retirement age;

2) Move the 3-day waiting period during which an injured worker is not entitled to compensation to the point immediately after an injury for non-Postal employees (P.L. 109-435 implemented this provision for the Postal Service);

3) Change the way that schedule awards are paid to allow uniform lump sum payments to Federal employees eligible for such awards;

4) Eliminate augmented compensation for dependents but raise the basic benefit level for all claimants;

5) Allow OWCP to recover the costs of continuation of pay (COP), a large annual expenditure for Federal agencies, from responsible third parties;

6) Increase benefit levels for funeral expenses;

7) Increase benefit levels for disfigurement resulting from work injury; and

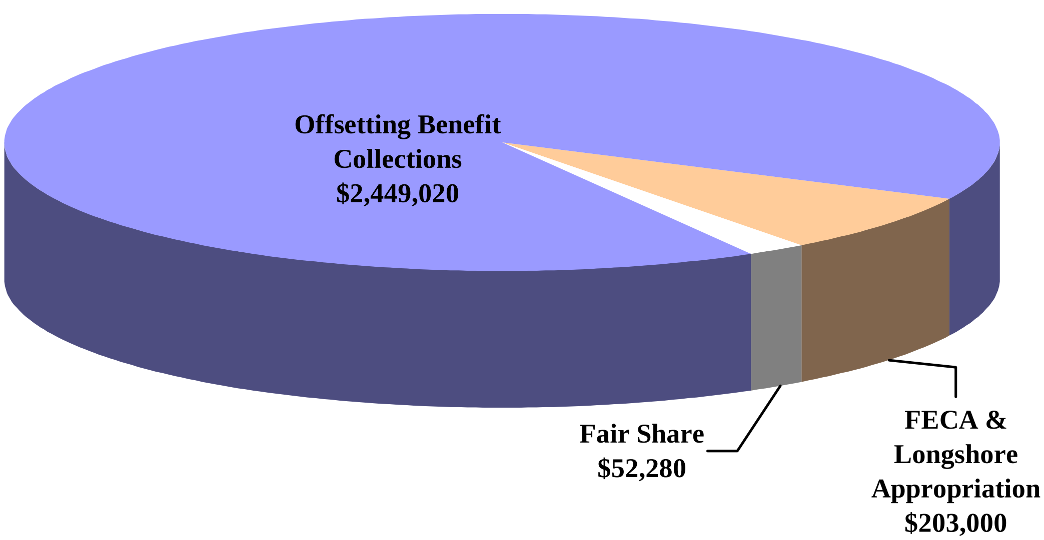
8) Identify unreported work earnings and receipt of FERS retirement benefits through regular database matching with the Social Security Administration.

Estimated savings over ten years through the enactment of these proposals would be $608,000,000. These savings are included in the Special Benefit Fund cost projections used for this budget submission.

Cost Model

Total new budget authority requested for Special Benefits in FY 2008 is $2,704,300,000 including a direct appropriation of $200,000,000 for FECA and $3,000,000 for Longshore and Harbor Workers' benefits, and $2,501,300,000 in offsetting benefit collections from Federal agencies. Total estimated obligations are $2,597,000,000, including $2,541,720,000 for FECA benefits, $3,000,000 for Longshore and Harbor Workers' benefits, and $52,280,000 for Fair Share administration.

FY 2008 Budget Request by Special Benefits
Total Special Benefits Budget Request $2,704,300
(Dollars in Thousands)



APPROPRIATION LANGUAGE

SPECIAL BENEFITS
(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 title 5, chapter 81 of the 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, $203,000,000, 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 unobligated on September 30, 2007, 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, 2008: 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 $52,280,000 shall be *made available to the Secretary as follows: (1) for enhancement and maintenance of automated data processing systems and telecommunications systems, $21,855,000; (2) for automated workload processing operations, including document imaging, centralized mail intake and medical bill processing, $16,109,000; (3) for periodic roll management and medical review, $14,316,000; 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 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, 2007.)*

"Note—A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution."

ANALYSIS OF APPROPRIATION LANGUAGE

SPECIAL BENEFITS

“. . . 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 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: . . ."

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 unobligated on September 30, *2008*, shall remain available until expended for the payment of compensation, benefits, and expenses . . ."

This language provides authority to carry over an unobligated balance of 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 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 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 of Labor determines to be the cost of administration for employees of such fair share entities through September 30, *2008*: . . ."

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, *$52,280,000* shall be made available to the Secretary as follows: (1) for enhancement and maintenance of automated data processing systems and telecommunications systems, *$21,855,000*; (2) for automated workload processing, operations, including document imaging, centralized mail intake and medical bill processing, *$16,109,000*; (3) for periodic roll management and medical review *$14,316,000*; and (4) the remaining funds shall be paid into the Treasury as miscellaneous receipts:. . . "

It further provides that $52,280,000 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 of Labor may require that any person filing a notice of injury or a claim for benefits under chapter 81 of title 5, United States Code,, Chapter 81, or 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 . . ."

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. By this authority, FECA and LHWCA will convert specific claim numbering systems to ones using social security numbers. The General Accounting Office has recommended the use of SSNs as case identifiers. 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 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.)

	AMOUNTS AVAILABLE for OBLIGATION Special Benefits (Dollars in Thousands)	FY 2006 Enacted		FY 2007 C.R.[1/]		FY 2008 Request	
		FTE	Amount	FTE	Amount	FTE	Amount
A.	**Appropriation (Amount shown in Appropriation Language)**	127	$237,000	127	$227,000	127	$203,000
	Reduction pursuant to (P.L. 109-149) in FY 2006						
	Other Supplementals and Rescissions						
	Appropriation, Revised						
	Real Transfer to:						
	(enter the account title) *[negative entry]*						
	Real Transfer from:						
	(enter the account title) *[positive entry]*						
	Comparative Transfer To:						
	Working Capital Fund for centralized services						
	Comparative Transfer From:						
	A.1) Subtotal Appropriation	127	$237,000	127	$227,000	127	$203,000
	(adjusted)						
	Offsetting Collections From:						
	Reimbursements (includes Fair Share funding)	0	$2,425,000	0	$2,429,900	0	$2,501,300
	Trust Funds						
	Fees						
	A.2) Subtotal *[positive entry]*						
B.	**Gross Budget Authority [sum of A.1 and A.2]**	127	$2,662,000	127	$2,656,900	127	$2,704,300
	Offsetting Collections						
	Deduction: (all entries are negative)						
	Reimbursements						
	Fees						
	Unobligated Balance		$1,180,901		$1,377,642		$1,489,142
	B.1) Subtotal *[negative entry]*						
C.	**Budget Authority [sum of B. and B.1]**	127	$3,842,901	127	$4,034,542	127	$4,193,442
	Before Committee						
	Offsetting Collections From: *[all entries are positive]*						
	Reimbursements						
	Fees						
	IT Crosscut						
	C.1) Subtotal *[postive entry]*	127	$3,842,901	127	$4,034,542	127	$4,193,442
D.	**Total Budgetary Resources**						
	Other Unobligated Balances	-5	-1,203,901		-1,489,142		-1,596,442
	Unobligated Balance Expiring						
E.	**Total, Estimated Obligations**	**122**	**$2,639,000**	**127**	**$2,545,400**	**127**	**$2,597,000**

[1/]The 2007 level is the assumed current rate under the terms of P.L. 109-289, as amended.

Special Benefits
Summary of Changes
(Dollars in Thousands)

	FY 2007 C.R.	FY 2008 Request	Net Change
Budget Authority			
General Funds	$227,000	$203,000	-$24,000
Offsetting Collections (including Fair Share)	$2,429,900	$2,501,300	$71,400
Fair Share Administrative Expense (non-add)	($51,034)	($52,280)	(+$1,246)
Carryover from previous year	$1,377,642	1,489,142	$111,500
Total - *includes rescissions & transfers*	$4,034,542	$4,193,442	$158,900
Full-Time Equivalent:			
General Funds	127	127	0
Trust Funds	0	0	0
Total	127	127	0

Explanation of Change:	FY 2007 Base		FY2008 Change	
	FTE	Amount	FTE	Amount
Increases:				
A. Built-In:				
To provide increased costs of Personnel Comp. & Benefits	127	$12,270	0	$342
To provide increased costs of all other non personnel	---	$38,764	---	$904
Offsetting benefit collections	---	$2,378,866	---	$70,154
Appropriation	---	$227,000	---	-$24,000
Built-ins Subtotal	127	$2,656,900	---	$47,400
B. Program:				
Change in carryover from FY 2007	---	$1,377,642	---	$111,500
Program Subtotal	---	$0	---	$111,500
Total Increases	**127**	**$4,034,542**	**0**	**$158,900**
Decreases:				
A. Built-In:	0	0		0
Total Decreases	**0**	**0**		**0**
Total Changes	**0**	**$4,034,542**	**0**	**$158,900**

SUMMARY BUDGET AUTHORITY and FTE BY ACTIVITY (Dollars in Thousands) Special Benefits	FY 2006 Enacted		FY 2007 C.R.[1/]		FY 2008 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
Total Obligational Authority	**127**	**$3,842,901**	**127**	**$4,034,542**	**127**	**$4,193,442**
Federal Employees' Compensation Act Benefits		3,552,206		3,756,508		3,938,162
Federal Employees' Compensation Act Appropriation		234,000		224,000		200,000
FECA Fair Share	127	53,695	127	51,034	127	52,280
Longshore and Harbor Workers' Compensation Benefits	0	3,000	0	3,000	0	3,000

[1/]The 2007 level is the assumed current rate under the terms of P.L. 109-289, as amended.

BUDGET AUTHORITY by OBJECT CLASS
Special Benefits
(Dollars in Thousands)

	Object Classes	FY 2006 Enacted	FY 2007 C.R.	FY 2008 Request	Change 08 Request/ 07 NTE Curr. Rate
	Total Number of Full Time Permanent Positions	127	127	127	0
	Full-Time Equivalent	127	127	127	0
	Full-Time Permanent	127	127	127	0
	Other	0	0	0	0
	Reimbursable	0	0	0	0
	Total	127	127	127	0
	Average ES Salary	0	0	0	0
	Average GM/GS Grade	11.4	11.7	11.8	+.10
	Average GM/GS Salary	$96,693	$96,614	$99,697	+3,083
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-Time Permanent	$9,602	$9,556	$9,818	$262
11.3	Other than FTP Positions	0	0	0	0
11.5	Other Personnel Compensation	42	0	0	0
11.8	Special Personnel Compensation	0	0	0	0
11.9	**Total Personnel Compensation**	**9,644**	**9,556**	**9,818**	**262**
12.1	Personnel Benefits	2,636	2,714	2,794	80
13.0	Benefits for Former Personnel	0	0	0	0
21.0	Travel/Transportation of Persons	53	82	84	2
22.0	Transportation of Things	0	0	0	0
23.1	Rental Payments to GSA	659	885	906	21
23.2	Rental Payments to Others	16	6	6	0
23.3	Comm., Utilities & Misc. Total	206	144	147	3
24.0	Printing & Reproduction	0	0	0	0
25.1	Advisory & Assistance Services	0	0	0	0
25.2	Other Services	226	15,135	15,488	353
25.3	Purchases of Goods and Services From Other Gov't Accts [1/]	26,413	1,706	1,762	56
25.7	Operation/Maint. of Equipment	13,352	19,349	19,786	437
26.0	Supplies and Materials	46	47	48	1
31.0	Equipment	444	1,410	1,441	31
41.0	Grants	0	0	0	0
42.0	Insurance Claims & Indemnities	2,585,305	2,494,366	2,544,720	50,354
	Subtotal	$2,639,000	$2,545,400	$2,597,000	$51,600
	Unobligated balance, start of year	$1,180,901	$1,377,642	$1,489,142	$111,500
	Unobligated balance, end of year	-$1,203,901	-$1,489,142	-$1,596,442	-$107,300
	Deduct Offsetting Collections				
	Federal Sources	-$1,527,000	-$1,510,800	-$1,564,300	-$53,500
	Non-Federal Sources	-$898,000	-$919,100	-$937,000	-$17,900
	Total, Budget Authority (excluding accruals)	**$237,000**	**$227,000**	**$203,000**	**-$24,000**
	[1/] Working Capital Fund	566	578	578	0
	Department of Homeland Security Services (DHS)	703	1,128	1,184	56

APPROPRIATION HISTORY SPECIAL BENEFITS (Dollars in Thousands)					
	Budget Estimates to Congress	**House Allowance**	**Senate Allowance**	**Appropriation**	**FTE**
1998	201,000	201,000	201,000	201,000	0
1999	179,000	179,000	179,000	179,000	102
2000	79,000	79,000	79,000	79,000	121
2001	56,000	56,000	56,000	56,000	125
2002	121,000	121,000	121,000	121,000	124
2003	163,000	163,000	163,000	163,000	133
2004	163,000	163,000	163,000	163,000	133
2005	233,000	233,000	233,000	233,000	128
2006	237,000	237,000	237,000	237,000	127
2007	227,000				
2008	203,000				

Federal Employees' Compensation Act Benefits (Dollars in Thousands)								
	FY 2006 Enacted	FY 2007 C.R.	FY 2007 Estimate	Diff. FY 06 Enact. / FY 07 C.R.	FY 2008 Request	Diff FY 07 C.R./ FY 08 Request	Legis. Proposal	Diff. Leg. Prop./08 Req.
Activity Appropriation	**$53,695**	**$51,034**	**$51,034**	**-$2,661**	**$52,280**	**+$1,246**	**$52,280**	**$0**
FTE	127	127	127	0	127	0	127	0

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. 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; and the number of employees choosing this compensation instead of using sick or annual leave.

Fair Share financing provides for operations and maintenance of the Integrated Federal Employees' Compensation System (iFECS) ESA - OWCP- 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 and Medical Bill Review. These investments are aimed at improving services and better managing the expenditure of compensation funds.

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 on behalf of these employees. Most beneficiaries receive payments on a four-week cycle based on a program year beginning July 1st, so there are thirteen payments made during a fiscal year under normal circumstances.

Five-Year Budget Activity History

Fiscal Year	Appropriation	Fair Share Funding	FTE
2003	$160,000,000	$37,657,000	133
2004	$160,000,000	$39,261,000	133
2005	$230,000,000	$39,668,000	128
2006	$237,000,000	$53,695,000	127
2007	$227,000,000	$51,034,000	127

FY 2008

Total new budget authority for the Special Benefits Fund is $2,704,300,000 including a direct appropriation request of $203,000,000, including $3,000,000 for the benefits under Section 10(h) of the amended Longshore and Harbor Workers' Compensation Act. Benefit obligations will increase by 2% to $2,597,000,000. Funding of $52,280,000 with 127 FTE is also requested from the FECA Fair Share administrative collections.

The FY 2008 Budget Request includes a proposal to reform the FECA. Passage of this legislation would make the Act more equitable and easier to administer and supports incentives for injured employees to return to work. Savings to the Special Benefits Fund in FY 2008 would be $9,100,000. Total savings to the Government over 10 years would be $608,600,000.

FY 2005 through 2008 is a period of consolidation of many data processing and work processes in the DFEC program. These include IT system modernization, centralization of mail intake and document imaging, and centralization of medical bill processing. DFEC will need to continue to pursue technology and other solutions to improve efficiency and effectiveness, and meet the goals of the President’s Management Agenda. Challenges remain in DFEC to expand the capabilities of the new Integrated Federal Employees’ Compensation System (iFECS) to improve customer service delivery by further automating or consolidating workload processes and providing claimants and Federal agencies better and fuller access to case and cost information; to improve fiscal integrity by ensuring improved accuracy and timeliness; and developing capabilities, such as data warehousing, with which to effectively integrate budget and performance management. By providing better access to data, both employing agencies and OWCP will be better able to manage workers’ compensation costs.

DFEC will continue its Periodic Roll Management 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. In FY 2008, directed PRM reviews are expected to produce $8,000,000 in new savings. Since FY 1992, PRM has produced total accrued savings in compensation benefit costs of over $2,000,000,000.

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 2006, the rate of increase in average FECA medical benefit payments rose by 6.3% -- below the national average of 8.7% 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, compared to Milliman, is equivalent to saving nearly $35,000,000 annually in medical treatment costs since FY 2000.

FY 2007

Benefit obligations are projected at $2,542,400,000. Fair Share funding in FY 2007 is $51,034,000 and 127 FTE. Major resource investments include the DFEC automated system, centralized mail intake and centralized medical bill processing services contracts, and Periodic Roll Management.

DFEC will begin review of workload operations to take advantage of systems processing modernization with its new Integrated Federal Employees Compensation System (IFECS). Other process changes include expanded Electronic Data Interchange (EDI) for collection of FECA claims forms and increased electronic communications and information services. DFEC is also expanding the on-line Claimant Query System to additional Federal agencies to enable injured workers to access information regarding the status of their FECA claims.

Contract costs for Central Bill Processing have risen due to call volumes, bill volumes, and system and process complexities that are greater than anticipated. Fair Share funding in FY 2007 will ensure that these systems can be maintained, that costs relate to the job-related injury, bills are processed efficiently and accurately, and the program is positioned to increasingly take advantage of the latest in medical bill screening tools developed in the private sector.

FY 2006

Total Special Benefit obligations in FY 2006 were $2,465,682,000 including $46,886,000 for Fair Share administration and $2,418,796,000 in benefits. FECA benefit obligations declined by 2.3% overall from FY 2005. Compensation benefit costs declined by 3%; medical costs declined by 0.6%. Proactive disability management and stronger cost controls by DFEC contributed to these results.

Periodic Roll Management (PRM) generated benefit cost savings through careful review of cases to determine if continued disability status is warranted, and to determine the reemployment potential of those currently receiving compensation. OWCP reached its GPRA goal for PRM by producing $16,073,000 in savings in FY 2006.

WORKLOAD SUMMARY			
	FY 2006 Actual	**FY 2007 Target**	**FY 2008 Target**
Wage-Loss Claims Received	20,000	20,000	20,000
Compensation and Medical payments	5,674,811	5,700,000	5,700,000
Cases Received	140,000	140,000	140,000
Periodic Payment Cases 1/	55,433	55,000	55,000
PERIODIC ROLL MANAGEMENT			
PRM Universe Cases 2/	49,910	50,000	49,000
PRM Final Resolutions 3/	3,039	2,000	2,000
Savings due to adjustments and terminations (000)	$16,100	$8,000	$8,000

1/ Includes all long-term disability and fatal cases.
2/ Includes only long-term disability cases assigned to PRM review units.
3/ Does not include case review resolutions due to death of beneficiary.

Longsshore and Harbor Workers' Compensation Benefits (Dollars in Thousands)	FY 2006 Enacted	FY 2007 C.R.	FY 2007 Estimate	Diff. FY 06 Enacted/ FY 07 C.R.	FY 2008 Request	Diff. '07 C.R./FY 08 Request
Activity Appropriation	3,000	3,000	--	--	3,000	--

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% of the compensation is paid by private insurance companies and/or employers.

Five-Year Budget Activity History

Fiscal Year	Special Benefits Appropriation
2003	$3,000,000
2004	$3,000,000
2005	$3,000,000
2006	$3,000,000
2007	$3,000,000

FY 2008

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 2008, 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 2007

In FY 2007, the Federal share of required payments is expected to total $3,000,000, which will include the increase necessary for the annual October weekly wage adjustment.

FY 2006

In FY 2005, $2,400,039 in compensation benefits was paid to eligible claimants under Section 10(h) of the LHWCA, a slight decrease from the previous year's total of $2,546,020.

CHANGES IN FY 2008 (Dollars in Thousands)		
Activity Changes		
Built-ins:		
To provide for:		
Costs of pay adjustments		$187
Personnel Benefits		65
Employee Health Benefits		15
Two more days of pay		75
Federal Employees Compensation Act (FECA)		0
Travel		2
Transportation of Things		0
GSA Space Rental		21
Communications, utilities, and miscellaneous charges		3
Printing and reproduction		0
Advisory and assistive services		0
Other services		353
Working Capital Fund		0
Purchases of goods and services from other government accounts		56
Operation and Maintenance of equipment		437
Supplies and materials		1
Equipment		31
Insurance Claims & Indemnities (net change w/carryover)		157,654
Total Built-in		**$158,900**
Net Program		**$0**
Direct FTE		0
	Estimate	**FTE**
Base:	$2,656,900	127