DEPARTMENT OF DEFENSE

DCPAS

Defense Civilian Personnel Advisory Service

DoD FECA Cost Containment Initiatives

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FECA Costs

- It may surprise people to know just how much workers' compensation benefits cost the Department annually.
- For the chargeback year that ended 30 June 2015, FECA costs for the Department were slightly more than $552,000,000.
- For that same time period, FECA costs for the rest of Government, less DoD, were approximately $2,434,000,000.

FECA Costs

- For the period 1 July 2015 to 31 Mar 2016:
  - FECA costs for the Department were approximately $254 million.
  - Of that total cost, $112 million was attributed to payment of wage loss compensation. This money is paid to individuals who are not working.
  - 2,838 claimants between the ages of 62 and 75 were paid approximately $50 million in wage loss compensation.
  - 1,394 claimants between the ages of 76 and 89 were paid approximately $24 million in wage loss compensation.
  - 222 claimants over the age of 90 were paid approximately $3.9 million in wage loss compensation.

The Session Will Cover

- Current programs available:
  - Pipeline Reemployment Program
  - Liaison Services
  - Program Review
  - FECA Working Groups
- Future programs:
  - Pharmacy Benefits Management Program
  - DIUCS Modernization

What Is The Pipeline Program?

- Pipeline is an initiative authorized by the Secretary of Defense to encourage return-to-work efforts for DoD civilian employees, who have been injured on the job, who can no longer perform their date-of-injury job.
- The program provides DoD organizations with the funding necessary to reemploy partially recovered employees up to one year for a full-time employee and two years for a part-time employee.
- Pipeline was implemented in Fiscal Year 2005 and is administered by the Injury and Unemployment Compensation (ICUC) Branch of the Defense Civilian Personnel Advisory Service (DCPAS).

Why Was the Program Created?

- Originally, created under the Safety, Health and Return to Employee (SHARE) Initiative that was launched in 2004.
- Pipeline continued through transition to the Protecting Our Workers and Ensuring Reemployment (POWER) Initiative and supported two goals of that program.
  - Goal 6: Reduction of Lost Production Day Rates
  - Goal 7: Tracks how well agencies return employees back to work once they are able. Department of Labor provides a listing of claims it uses to track this metric.
- The program was designed to address the issue of funding which historically hindered reemployment of injured workers.

What Does Pipeline Provide?

- Pipeline funding covers:
  - Hours worked
  - Locality, differential, and Sunday pay
  - Within Grade Increases (WGI)
  - agency's cost for Federal Employees' Health Benefits, Federal Employees' Life Insurance and 1% TSP contribution for FERS employees
- Pipeline funding does NOT cover:
  - Federal Employees Dental and Vision Insurance Programs
  - Long Term Care
  - Overtime (unless it is mandatory scheduled overtime)
  - Training, performance awards or bonuses

Eligibility Requirements

- Offered position must be to an FTE other than the FTE occupied on the date of injury (DOI).
- Permanent Employee on DOI must be offered a permanent position.
- Temporary Employee on DOI must be offered a position that will last at least 90 days or, at a minimum, fulfill the agency's original temporary appointment.
- Pipeline Packet should be submitted within 90 days of the date the employee returned to work.
- The injured worker must have received at least 90 days of wage loss compensation from OWCP during the one year prior to the return-to-work date.

How does an agency receive Pipeline funds?

- A Pipeline packet is submitted for the employee by the agency compensation specialist.
- The Pipeline packet consists of:
  - Pipeline Worksheet
  - Official Job Offer
  - Position Description for offered position
  - Copy of SF-50, if applicable

Example of Pipeline Funding

- Return to Work effective date:
  - 10/01/15
- Job Offer salary:
  - $23.40/hour or $48,836/year
- Benefits:
  - .38 of annual salary: $18,557
- Pipeline MIPR from 10/01/16 to 9/30/16:
  - $67,393
- If the one year period spans across fiscal years, one MIPR will cover up to the end of current fiscal year. Another MIPR will be processed that covers the period from the beginning of the next fiscal year to the end of the one year period.

DoD Pipeline Success (FY2015)

Component	Total Cases	Potential Lifetime Cost Avoidance
Army	15	$17,863,088.12
Navy/Marine Corps	4	$ 9,176,200.26
Air Force	15	$21,452,452.54
DOD	4	$ 3,982,833.87
Total	38	$52,474,574.79

Pipeline Success

Since its inception, the Pipeline Program has:

- Returned 1254 employees back to work.
- Resulted in a Lifetime Cost Avoidance attributed to those claims of over $1 billion dollars.

Liaison Services

- The Liaisons are a resource for the agency specialist. They provide technical advice and guidance on FECA as well as perform case reviews and act as a liaison between the agency and OWCP.

- They are collocated with OWCP District Offices and have a working relationship with District Office personnel.

- Liaisons service all DoD agencies within a geographic region and work as a partner with the agency specialist.

- Liaisons have years of experience in the FECA field with many being former OWCP Claims Examiners.

Liaison Services

- The assistance provided by Liaisons allow agency specialists to manage their program more effectively, thus resulting in better return to work outcomes for injured employees.
- Liaisons can assist agencies develop job offers to employees that can return to work. They also assist agencies in putting together Pipeline packets.
- Liaisons can also provide training on FECA to agency specialists and can help those Specialists develop supervisor and employee training on FECA.

Liaison Services

- In calendar year 2015, the DoD Liaisons responded to approximately 9000 requests for assistance from DoD agencies and assisted in the return to work of 77 employees. The Potential Lifetime Cost Avoidance attributed to these cases is $117 million.

FECA Program Review

- The DCPAS ICUC Branch has started a new program that will provide a formal FECA program review.

- Agency will need to request the review.

- The review is comprehensive and covers all facets of an agency's FECA program:
  - Agency policies and procedures
  - Creation and maintenance of case files and protection of PII
  - FECA training
  - Analysis of FECA data for the agency

FECA Program Review

- The review will be performed by senior ICUC staff.
- A debrief will be performed after the review has been completed.
- A written report will be provided to the agency that provides:
  - Results of the review
  - Areas of strength identified in the agency program
  - Areas of weakness identified in the agency program
  - Recommendations for improvement of the program
  - Assistance that ICUC Branch can provide to address areas of weakness and implement recommendations
- ICUC Staff will work with the agency to eliminate areas of weakness.

FECA Program Review

- A program review can ensure that an agency's FECA program is being run in accordance with FECA regulations and DoD policy.

- Provide agencies with opportunities to improve their program and utilize best practices. ICUC staff see what is working across the department and can help identify those best practices to the agency.

FECA Working Groups

- FECA Working Groups are required per DODI 1400.24 V810.
- Interdisciplinary group of agency personnel that discuss program level issues and develop strategies for FECA cost containment for the organization.
- Representatives should include personnel from the following areas:
  - Human Resources (Staffing)
  - Workers' Compensation
  - Safety
  - Occupation Medicine
  - Investigators
  - Commander/Director representative

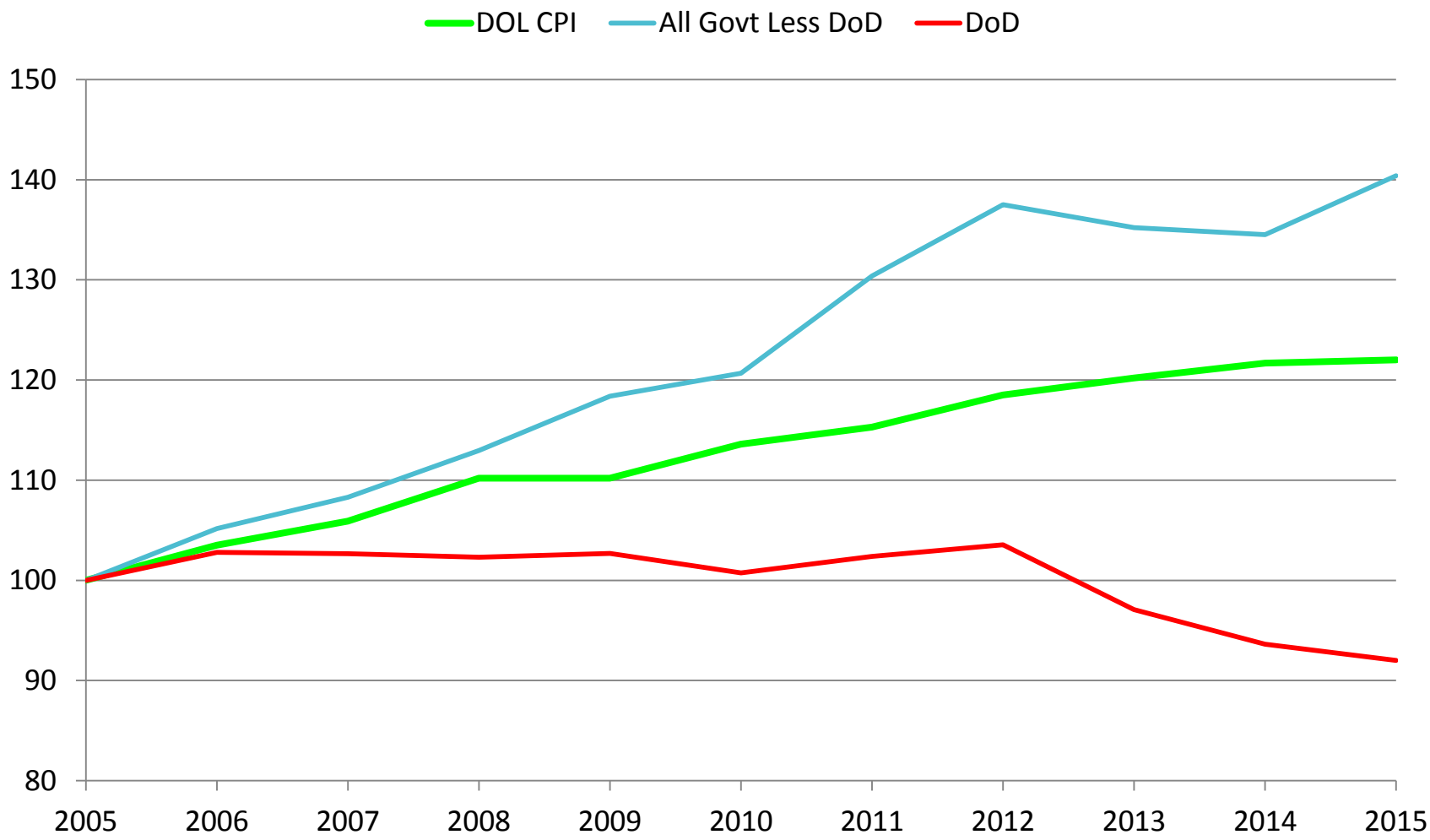
Are these programs effective?

- Have these programs had any effect on total FECA costs for the Department?

- Total FECA costs over the last 10 years were reviewed to determine a general trend.

- The costs were indexed to total costs for 2005 to determine the relative increase or decrease over the last 10 years. DoD costs were then compared to All Government FECA costs, minus DoD costs, as well as cost growth due to the annual CPI given to compensation recipients.

Total FECA Costs Indexed to 2005



Pharmacy Benefits Management Program

- A program that the Department is currently working on implementing is a Pharmacy Benefits Management Program.

- Unlike compensation for wage loss, agencies have very little control over medical costs under FECA. Employees are under no obligation to be treated at agency facilities or be seen by agency physicians. This limits the options for cost containment when it comes to medical costs.

- Pharmacy costs are the fastest growing segment of medical costs under FECA.

Pharmacy Benefits Management Program

- Cost History:
  - DoD's injury compensation pharmacy benefits have averaged $44 million annually from 2012 – 2015.
  - DoD pharmacy costs averaged 26% of the total medical costs during 2012-2014 and increased to 34% in 2015. Industry wide (latest data is 2013) pharmacy costs account, on average, for 19% of all total workers' compensation medical expenses. Estimated savings generated by PBM range from 15% -40% (averaging 29%) based on level of management.

Pharmacy Benefits Management Program

- After researching methods used in the private sector for containing prescriptions costs, it was determined that a Pharmacy Benefits Management Program offered a viable option.
- There is precedent for Federal agencies using a PBM to help reduce or contain prescription costs. Both the VA and the USPS have a PBM program in place for their FECA program. This offered DoD the ability to see how the programs functioned within the FECA program.
- A PBM program would be no cost for the Department other than the acquisition costs associated with the PBM contract.

Pharmacy Benefits Management Program

What is a Pharmacy Benefits Management Program?

It is a program, administered by a third party, that provides services for processing and analyzing prescription claims for managed care organizations, self-insured companies, and government programs. They have been proven to reduce pharmacy costs.

How does a PBM save money?

- OWCP maintains a listing of allowable costs (fee schedule) for medication. Each different medication will be paid at a specified cost regardless of what was billed by the provider.

- If Medication A has an allowable cost of $100.00 then OWCP will pay a provider no more than $100.00 for that medication. OWCP will, however, pay a lower amount if a lower amount was billed for a particular medication.

- This fee schedule is how the PBM can save money and make money at the same time.

How does a PBM save money?

- PBMs save money by:
  - Negotiating lower drug costs with drug manufacturers.
  - PBM pays prescription costs at the lower rate.
  - PBM then bills Department of Labor for the prescription at a cost that is higher than their actual cost but lower than the Department of Labor's allowable cost (fee schedule).

- The DoD savings is the difference between the fee schedule cost for the prescription and the billed cost from the PBM.

- The PBM makes money on the difference between their actual and billed cost. This is what allows them to offer no cost services.

An Example

Medication A has an OWCP allowable cost of $100.00.

The PBM negotiates a cost of $75.00 with the drug manufacturer.

The PBM bills OWCP $85.00 for the medication.

DoD saves $15.00 on that medication since it paid $85.00 instead of $100.00.

The PBM makes $10.00 on the same medication.

PBM Data

- PBMs will also provide detailed data on prescription costs to the Department.

- This data will allow for analysis and identification of problems with providers and trends in prescriptions.

Enterprise System Modernization

- The Department has an enterprise application for workers' compensation, the Defense Injury and Unemployment Compensation System (DIUCS).

- The application has been in existence since 1992. It provides access to claim data for agency personnel.

- The application is currently undergoing a complete modernization that will transform it into a claims management system.

Enterprise System Modernization

- Improvements will provide enhanced data functionality.

- The deployment of the new DIUCS will take place during the latter part of 2016.

Summary

- The Department's FECA costs are significant. Over $552 million for 2015.
- The Department is out performing the rest of Government when it comes to total FECA costs and has done a good job containing costs.
- Existing programs provide valuable tools to help agencies contain costs.
- New programs and tools are being developed to provide even more help to agencies to continually try to reduce FECA Costs.

QUESTIONS?

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