

APPENDIX P — Federal Employees' Compensation Act (FECA) Overview

Background

The Federal Employees' Compensation Act (FECA) was first enacted in 1916 to provide disability benefits to civilian federal employees who became injured in the course of their federal employment. FECA has been the subject of numerous amendments, most of which have resulted in increased benefits for injured employees and their dependents. The most recent major amendments to FECA occurred in 1974. The major provisions were the establishment of Continuation of Pay (COP) for traumatic injuries, and allowing injured employees the initial free choice of physician. The COP provisions provide for up to 45 calendar days of regular pay without a waiting period. COP is paid by the employing agency and starts the day after the injury. It was anticipated that inserting the 45-day COP period in front of wage loss compensation would allow Office of Workers' Compensation (OWCP) to clear up backlogged cases by allowing a majority of cases to be resolved before the end of the COP period. Unfortunately, by allowing injured employees to immediately receive COP, the floodgates were opened for a dramatic increase in claims.

There are five basic types of benefits:

- Disability Compensation. Wage loss benefits of 66 2/3 percent of pay with no dependents or 75 percent with dependents. Night differential, premium pay, Sunday pay, and cost of living adjustments (COLA) are included in the pay rate. Overtime is excluded. The minimum pay is a GS-2 Step 1, and the maximum is a GS-15, top step. COLA increases are given each March 1.
- Medical Benefits. OWCP will pay for any medical services, appliances or supplies which will cure, give relief, reduce the period or degree of disability, or aid in lessening the amount of monthly compensation. This is a lifetime benefit with no dollar limit.
- Schedule Awards. This is the amount given to an injured employee for the loss of function of specific body members.
- Vocational Rehabilitation.
- Death Compensation.

FECA covers all federal employees. The Postal Service and other nonappropriated agencies are treated differently in the following ways:

- The Postal Service is charged an administrative fee by OWCP. The charge for FY 2001 was \$30 million.
- All payments made by OWCP to and on behalf of injured employees are charged back to the Postal Service. Other federal agencies include these charges in their budget requests.

State workers' compensation programs differ significantly from FECA in the following ways:

State programs have waiting periods before receipt of compensation. FECA has no waiting period before COP. There is a 3-day waiting period after COP before compensation is paid. However, if the disability exceeds 14 days, the waiting period is waived.

Most state programs only have one rate of compensation – 66 2/3 percent with a weekly maximum amount. FECA has two rates: 66 2/3 without dependents and 75 percent with dependents.

Most state programs allow for a formal challenge to a claim. FECA is nonadversarial, with only an informal challenge procedure.

Under most state programs, workers' compensation can be self-administered or contracted through a third party administrator.

Specific issues under FECA that are contributing to escalating compensation costs:

- Inability to contact medical provider by phone.
- No waiting period before wage-loss compensation is paid.
- Compensation rates too generous. Should be only one rate—66 2/3 percent.
- Compensation should not be a lifetime benefit. At retirement age, compensation should be adjusted to a tax-free amount equal to what a retiree would receive.
- Medical costs are not adequately controlled by fee schedule.