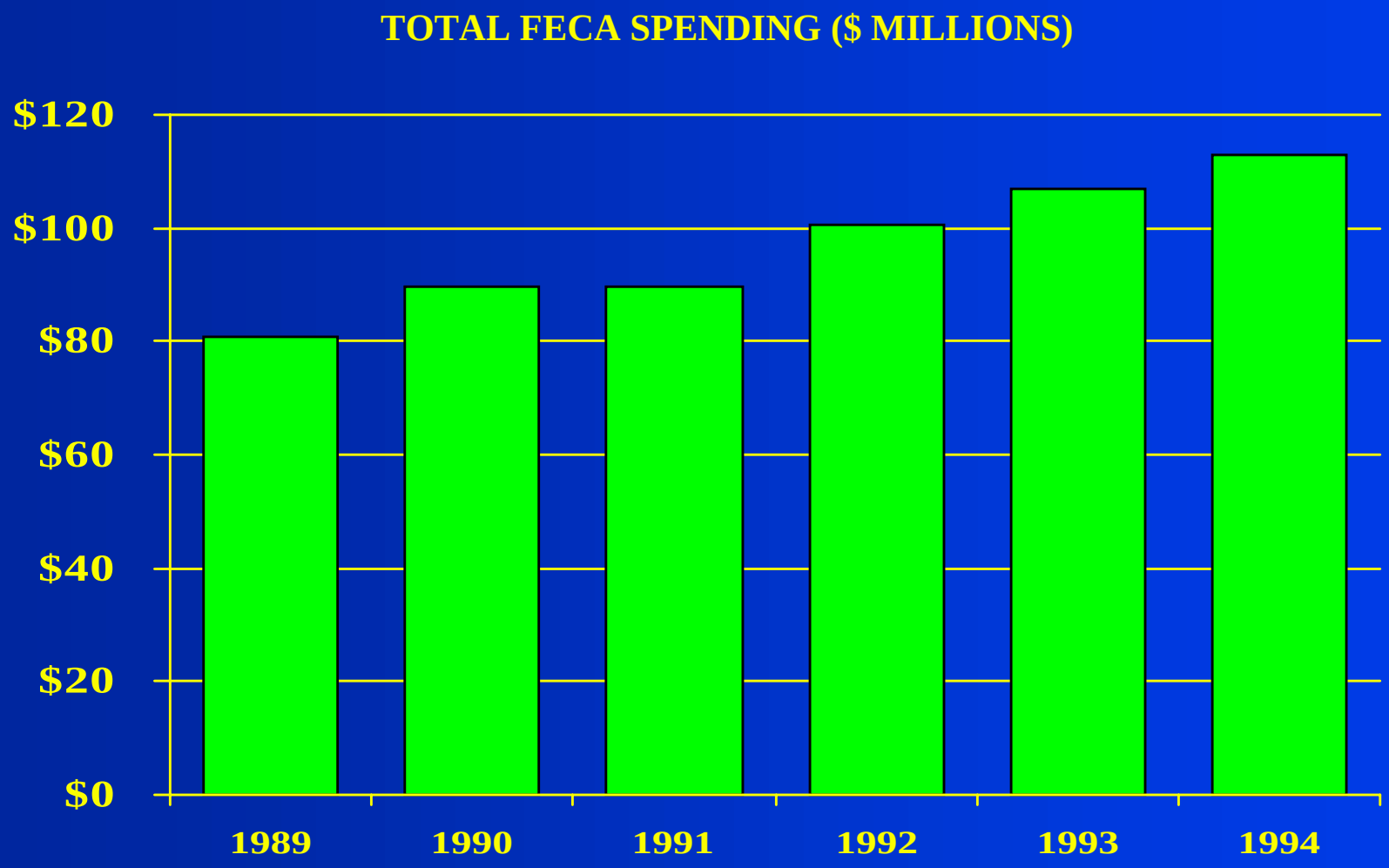
FECA Cost Reductions at Naval Shipyards

CAPT(s) Brad McGee, USNR

VTU 0109G, Manchester, NH

FECA Spending Through 1994 Was Steadily Increasing

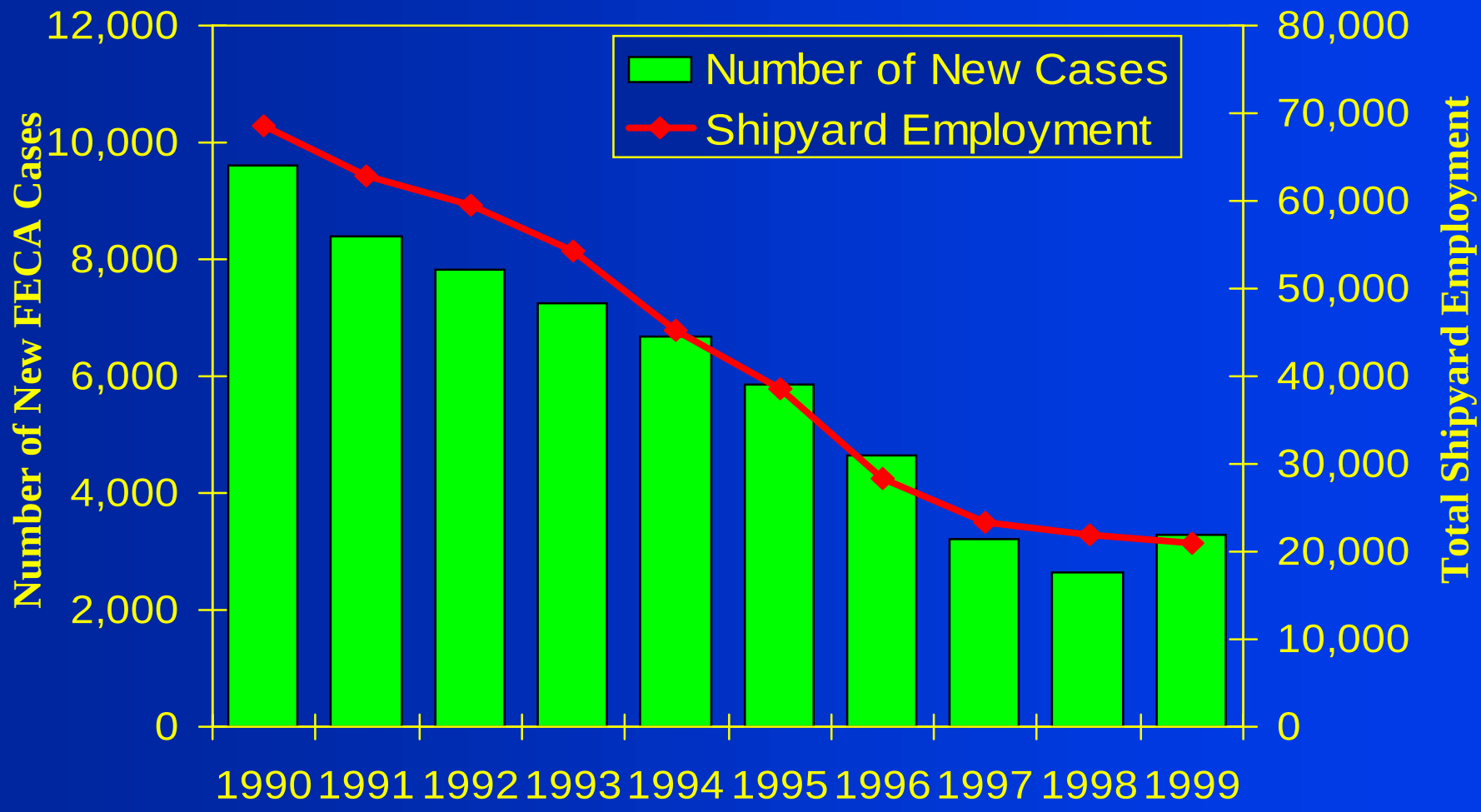


The Focus of FECA Cost Management Was Injury Prevention

Safe work environment and practices

Don’t hurt people

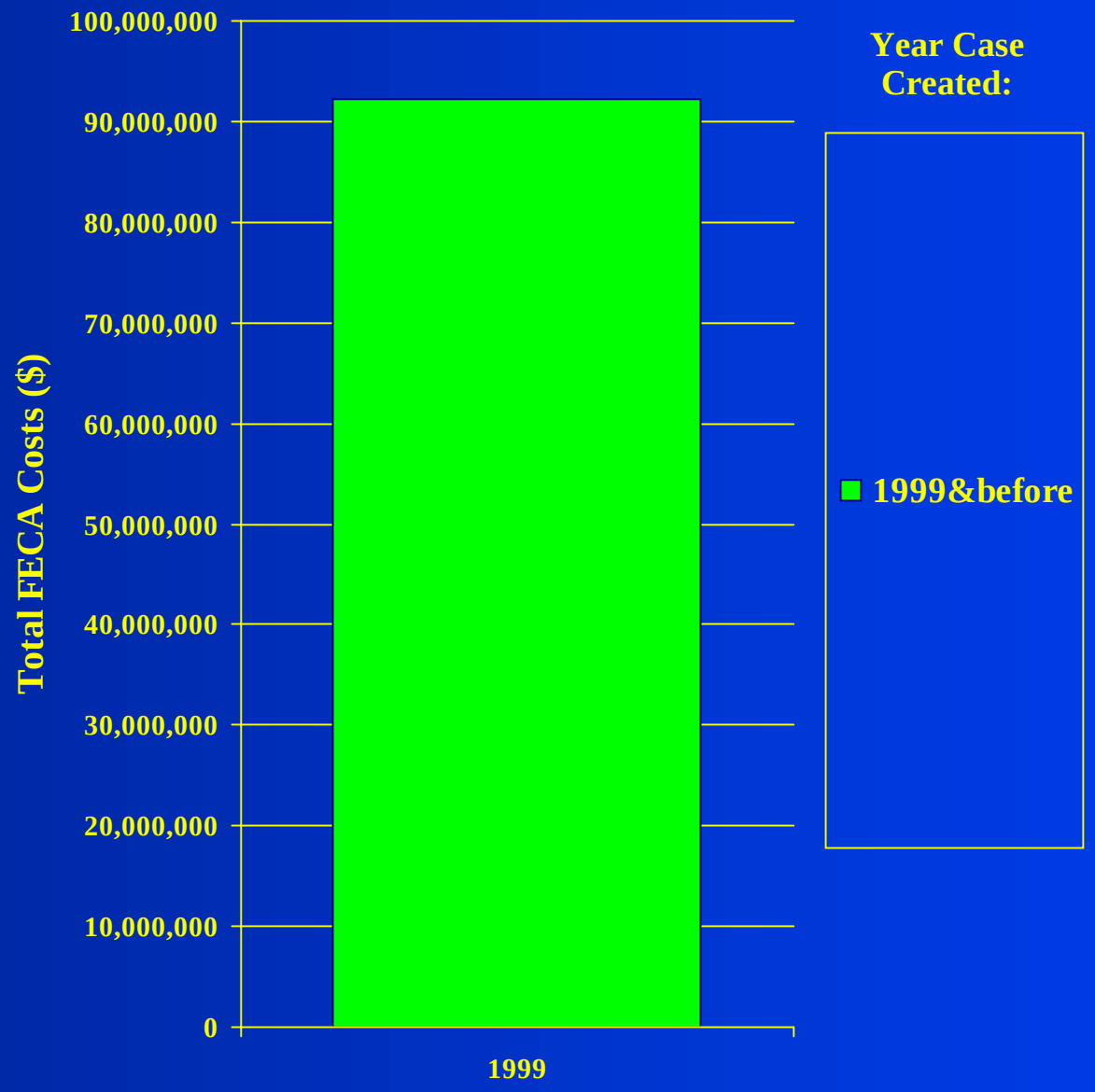
New FECA Cases Did Drop
What Was the Real Driver – Safety or Employment?



Evidence Suggests the Greatest Savings is from Aggressive Management of Long-Term Cases

- Most FECA spending is for aging cases
  - nearly two-thirds of spending is for cases more than 10 years old
  - less than 3% of spending is for cases occurring within the past year while this represents nearly 25% of cases

Case Aging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Total FECA Costs ($)
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Year Case Created:
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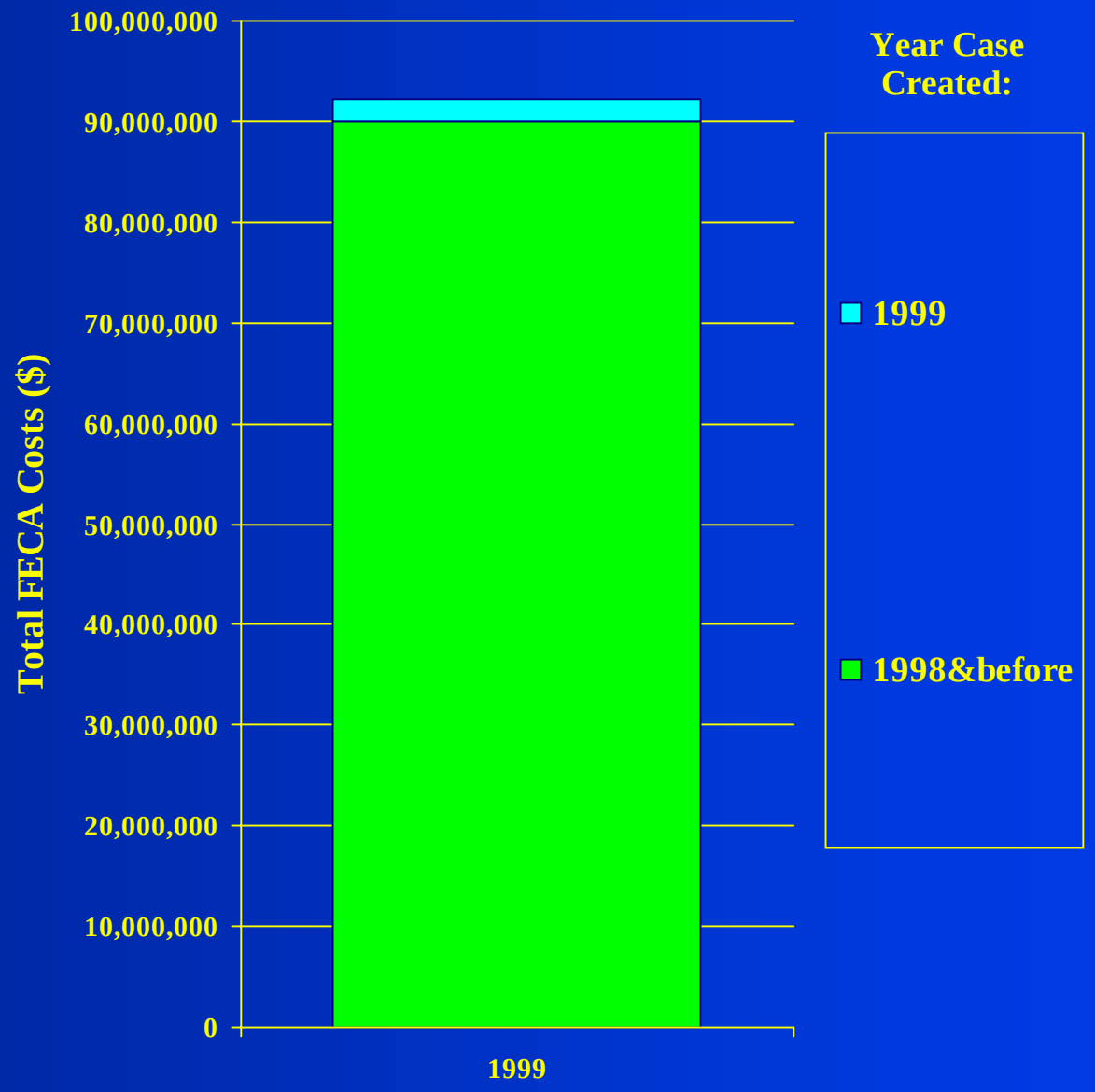
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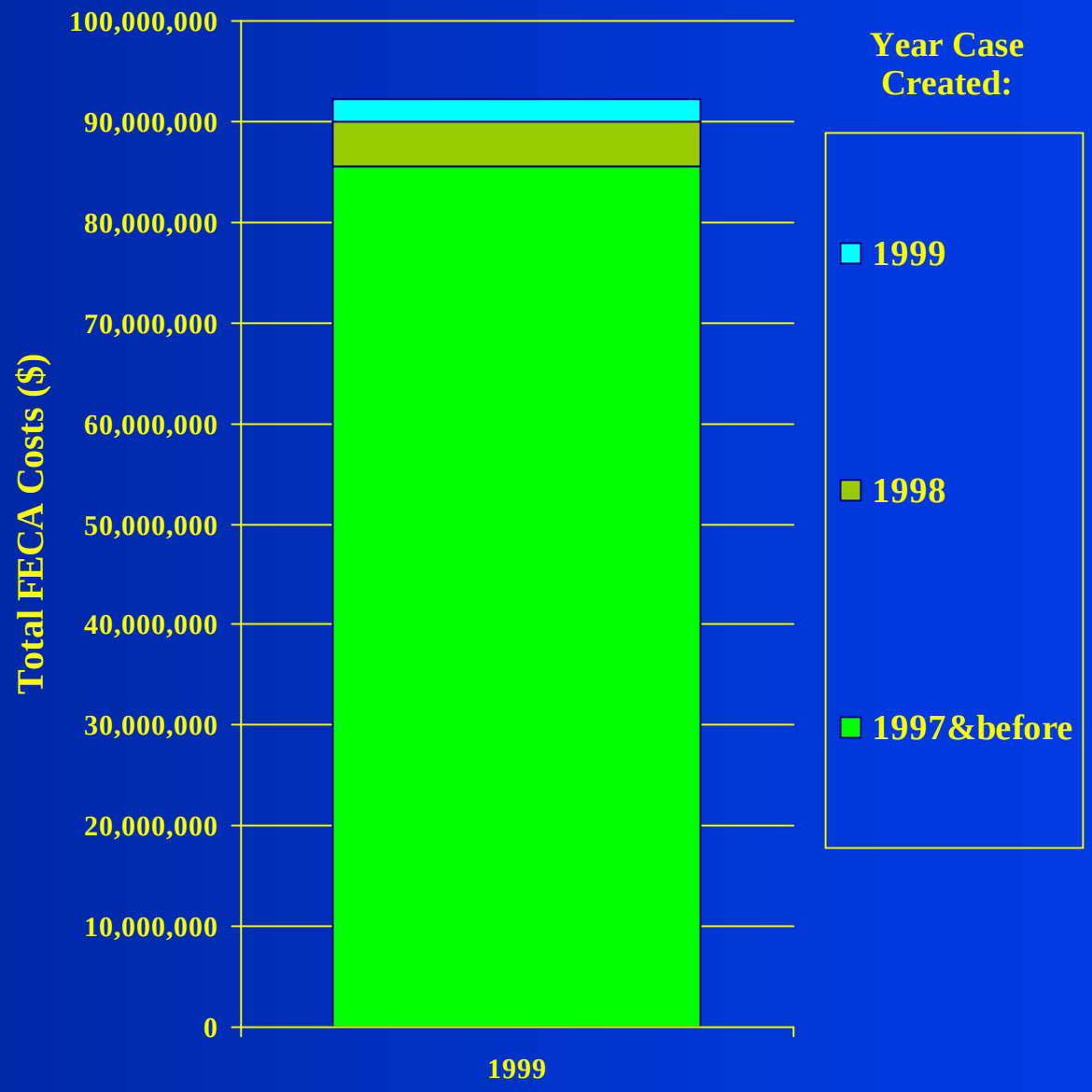
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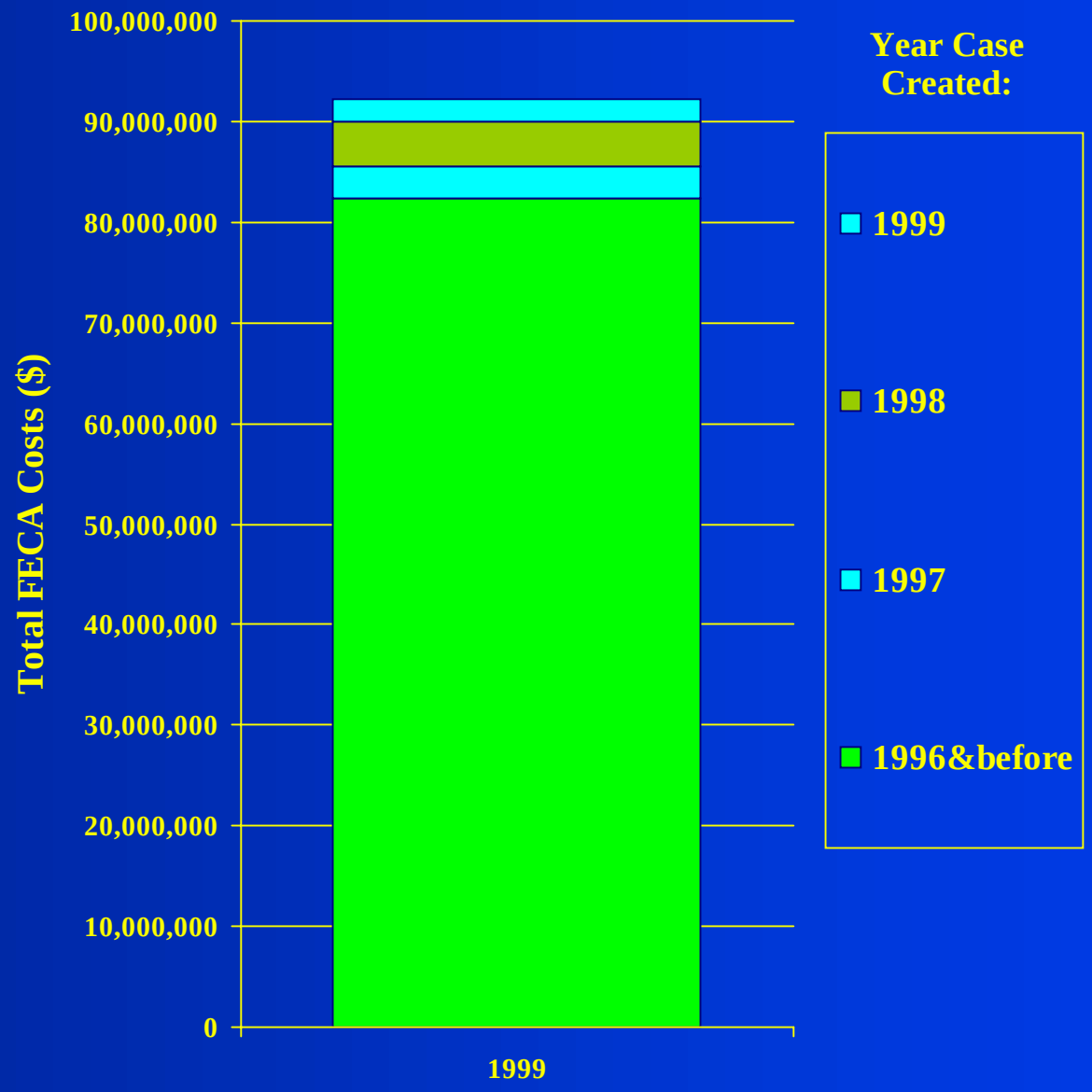
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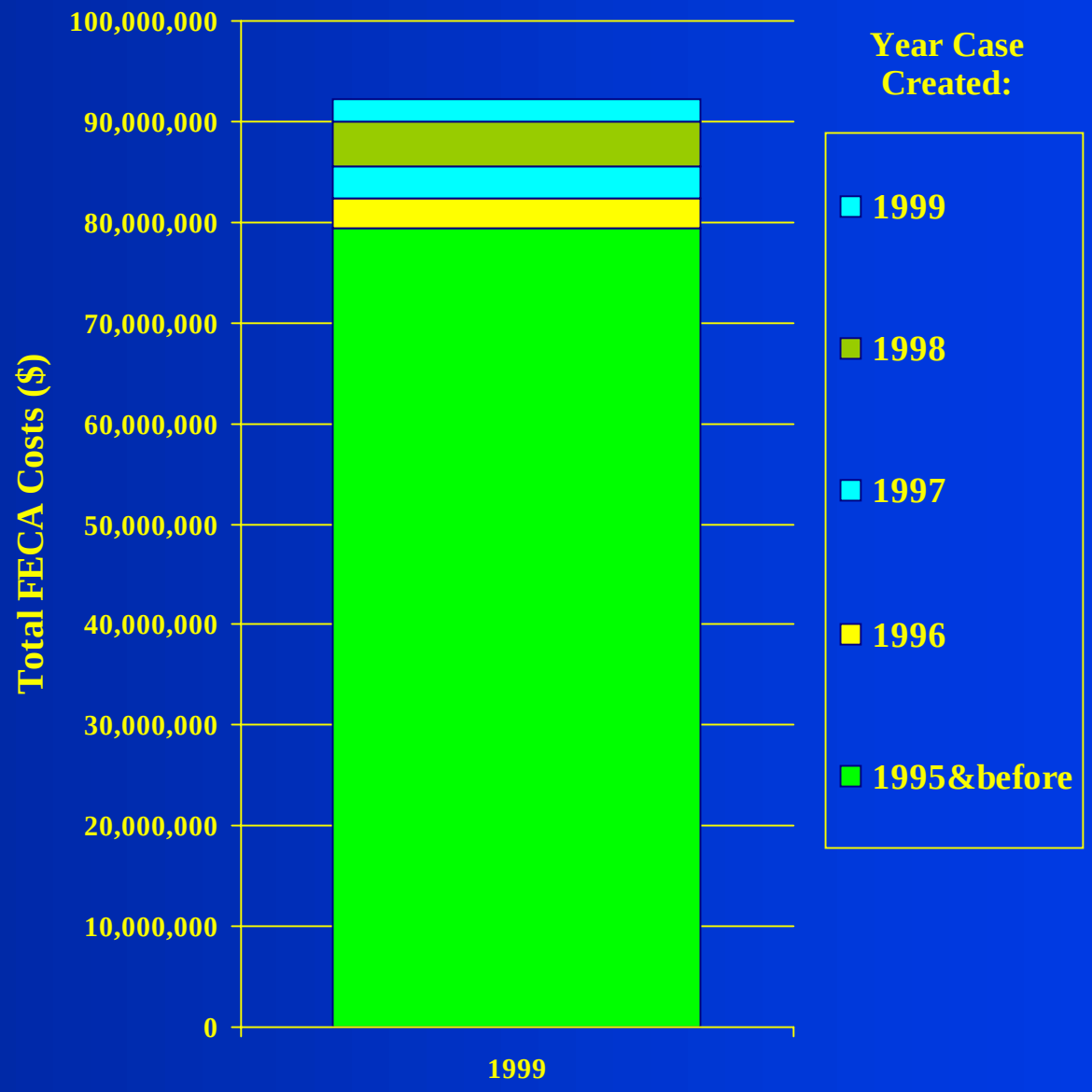
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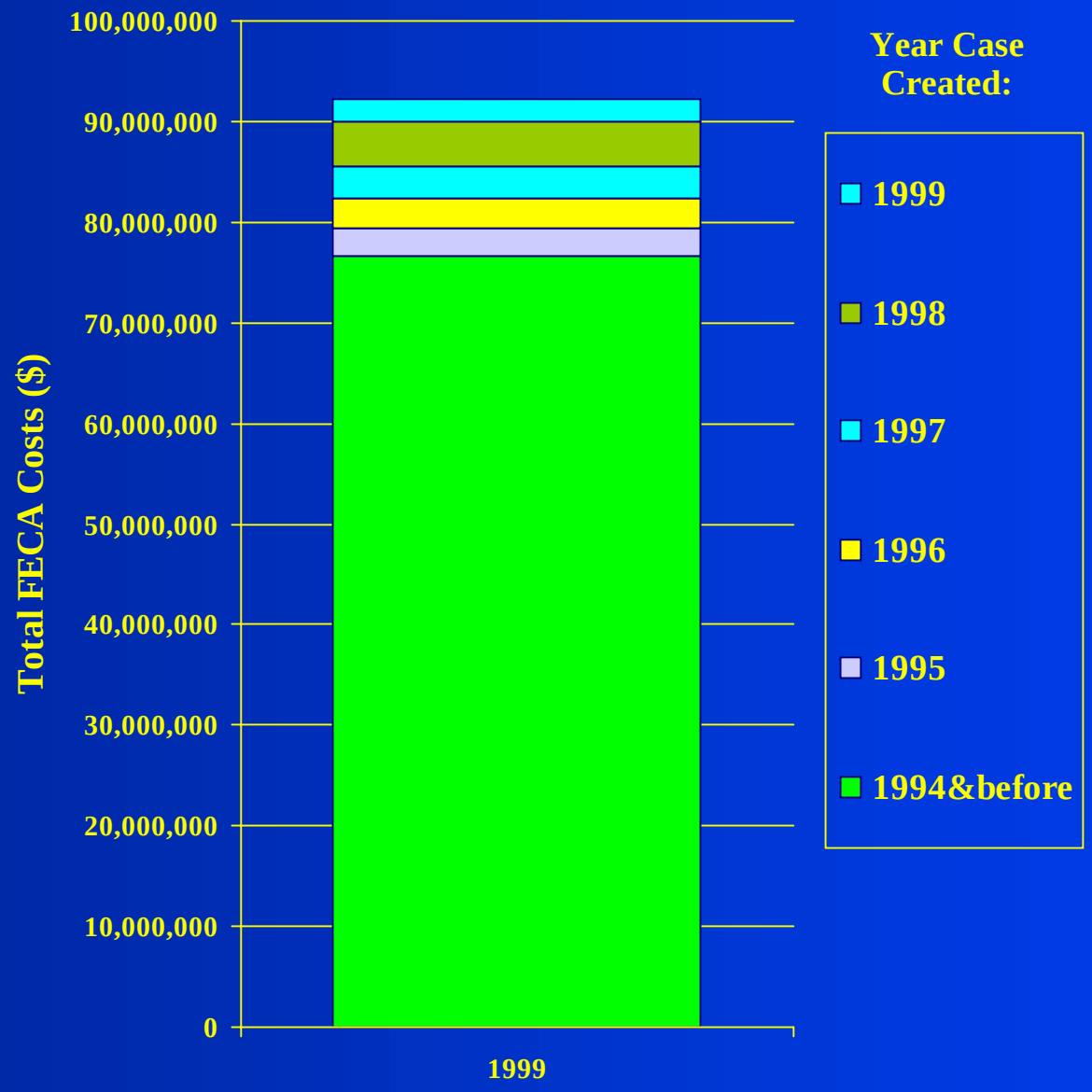
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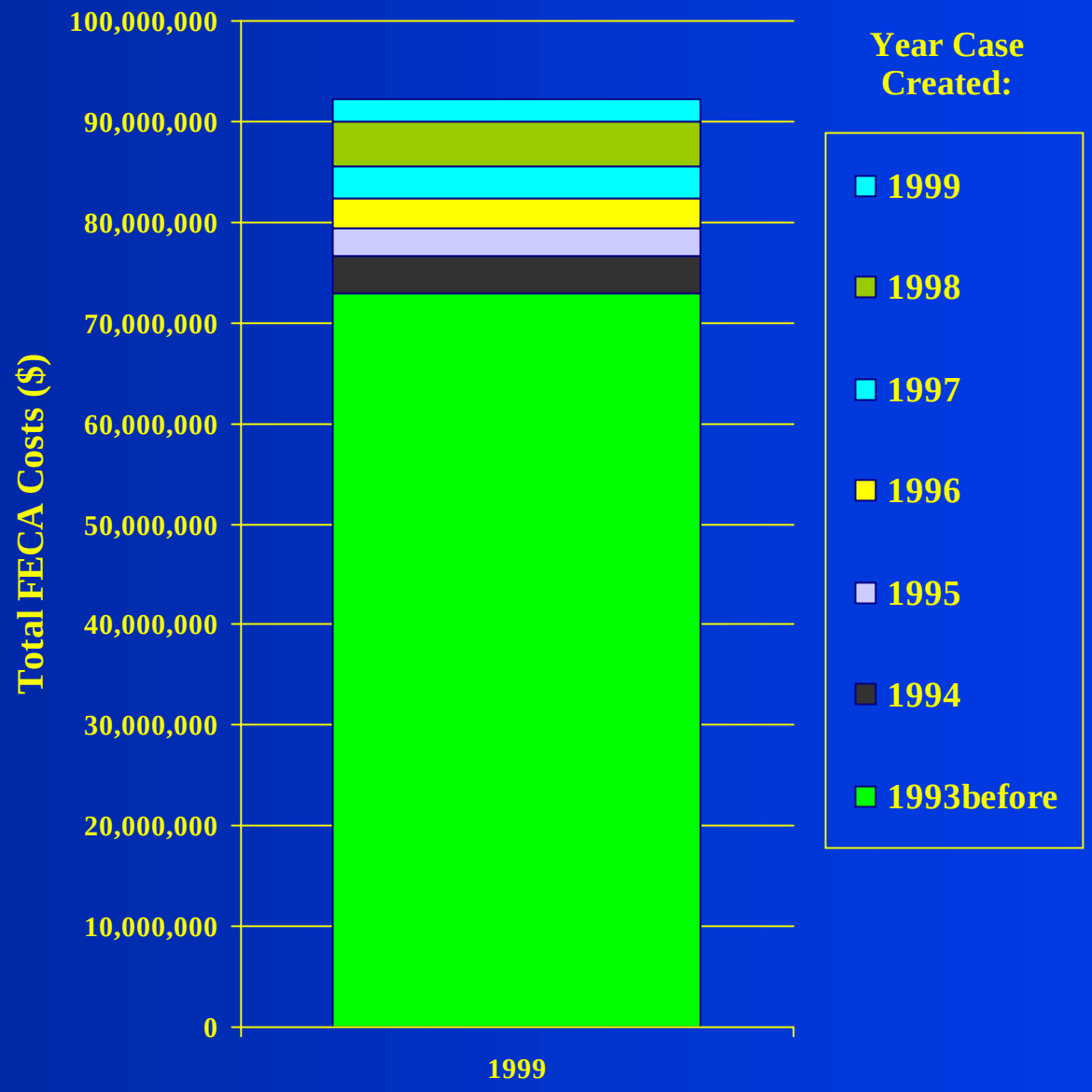
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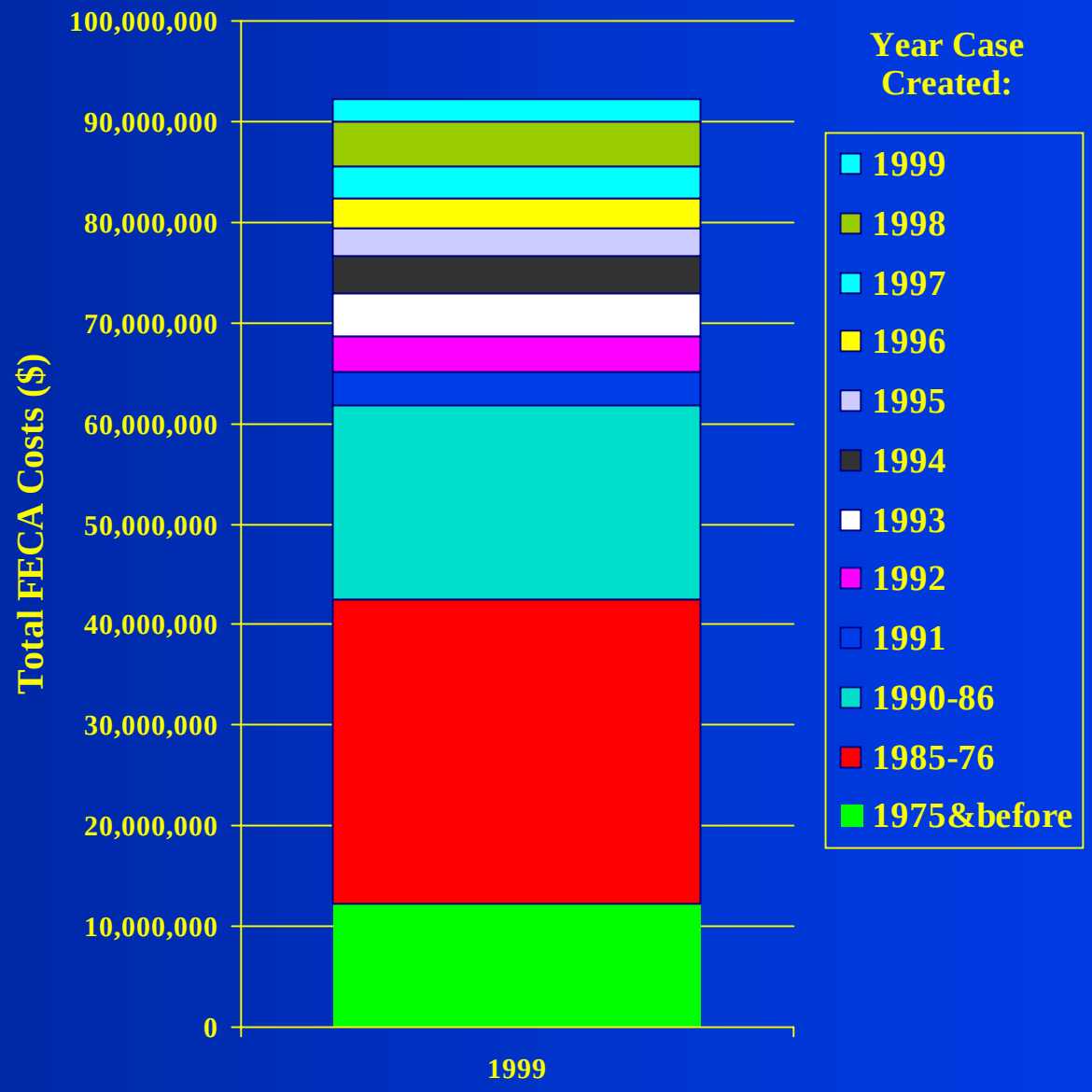
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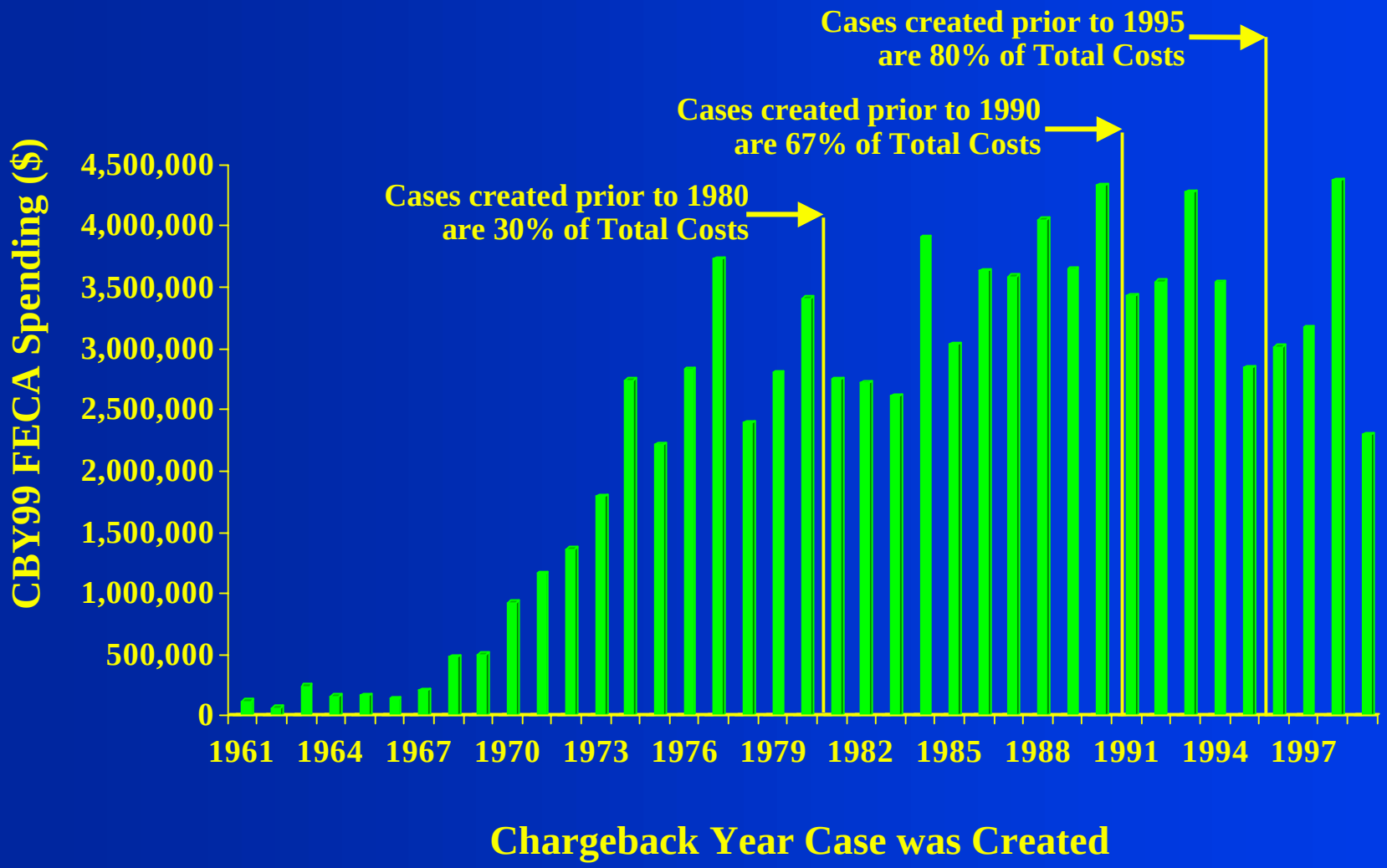
Most FECA Spending Is for Aged Cases

Analysis of Costs for CBY99



Evidence Suggests the Greatest Savings is from Aggressive Management of Long-Term Cases

- Most FECA spending is for aging cases
  - nearly two-thirds of spending is for cases more than 10 years old
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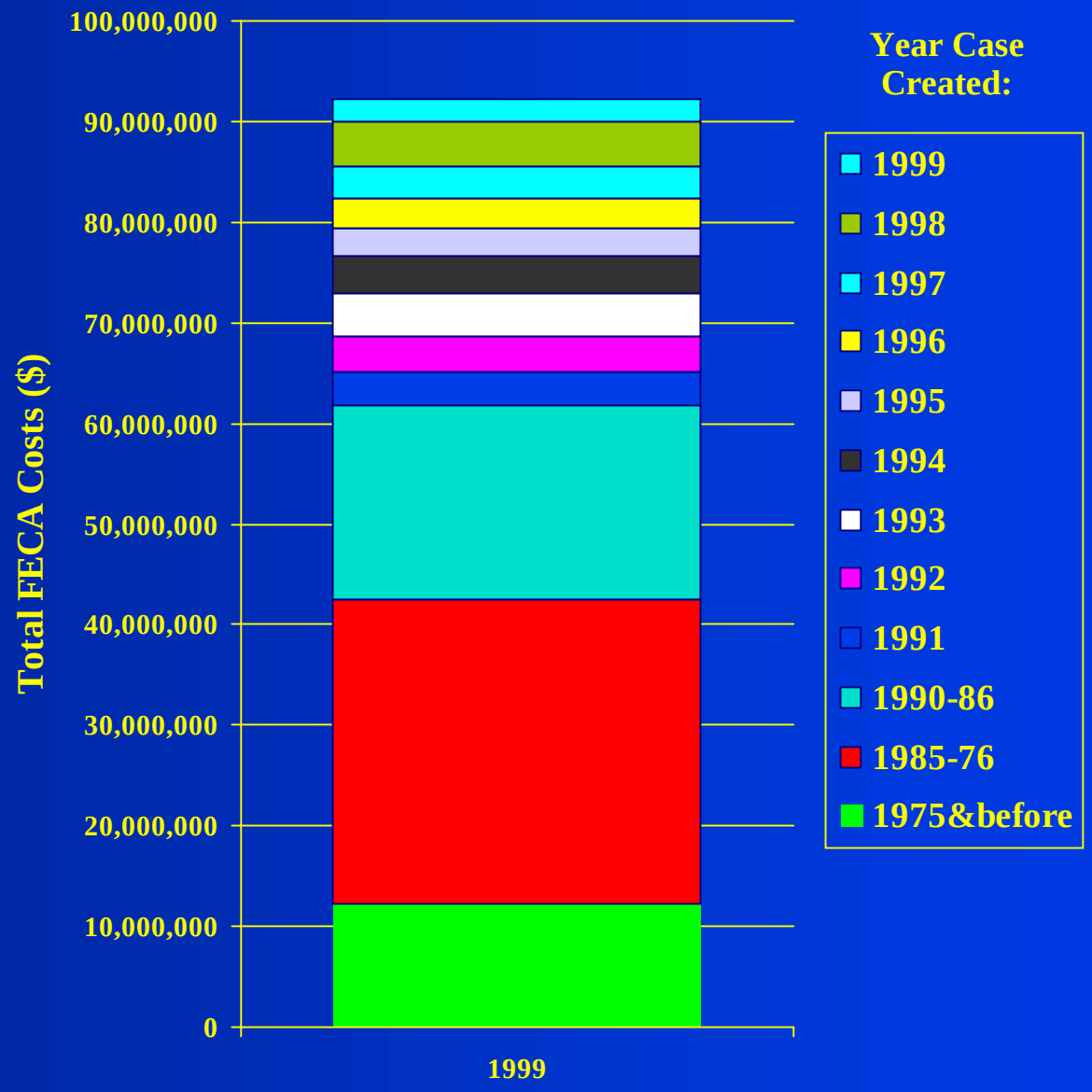
- The amount spent on old cases declines at a very slow rate
  - over the past 5 years, the amount spent on injuries occurring before 1985 fell by only 4%
  - this helped drive a 21% increased in annual spending while shipyard employment fell by more than 45%

Case Aging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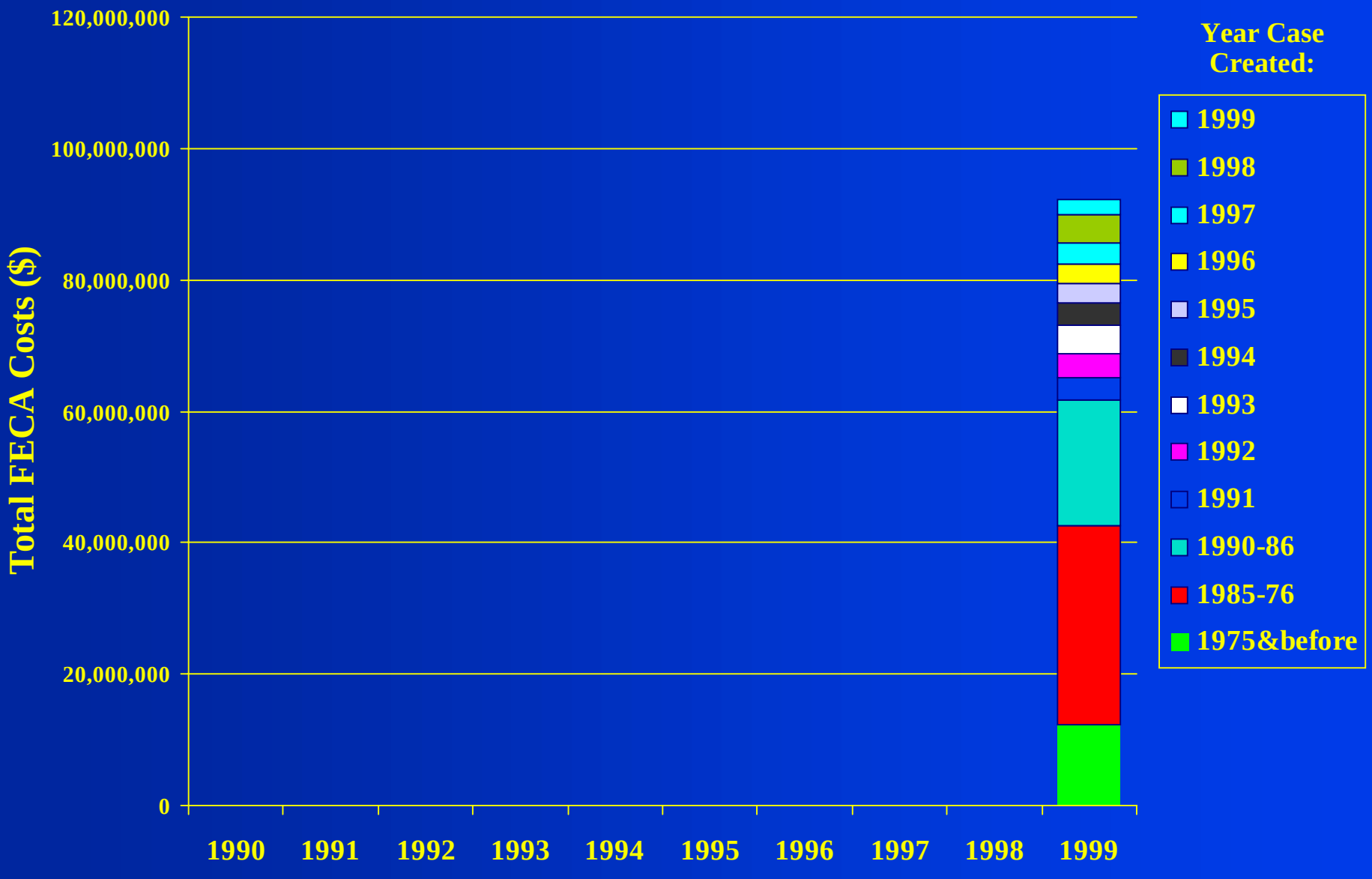
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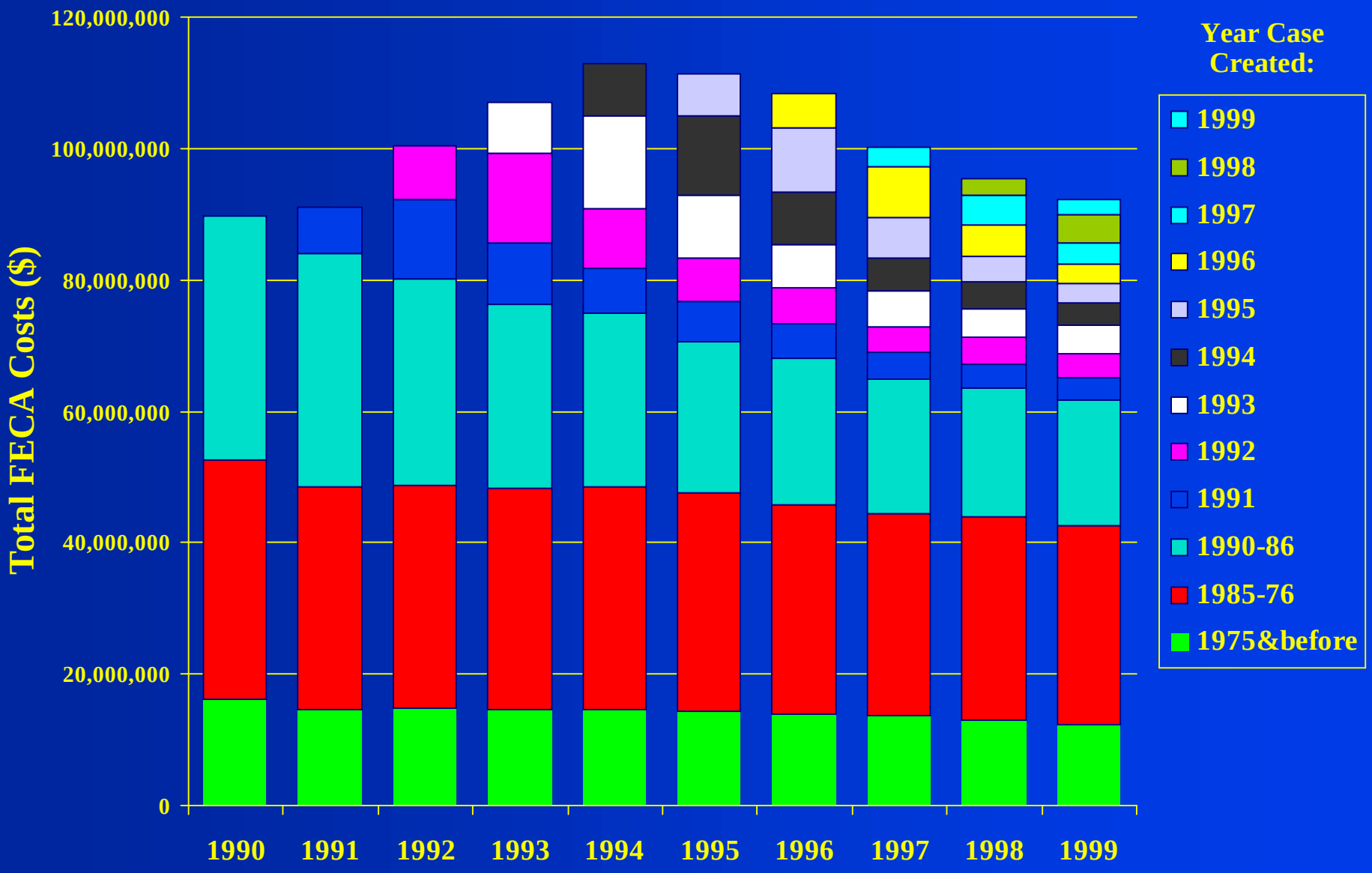
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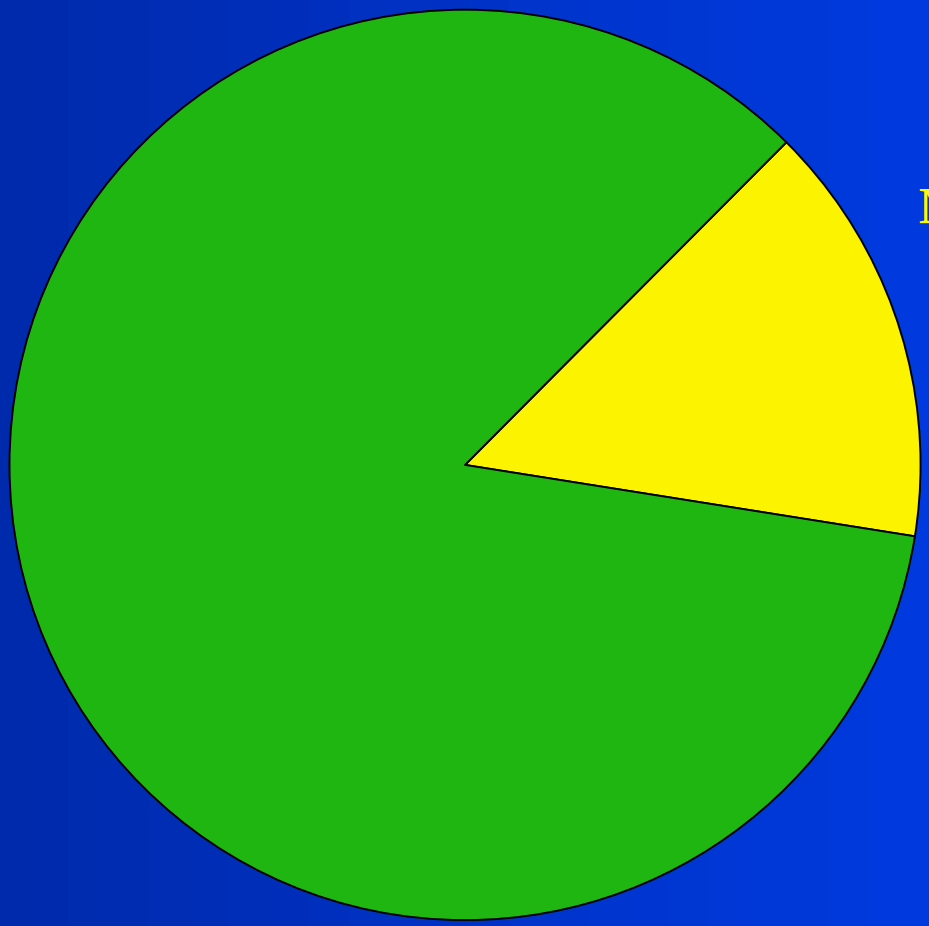
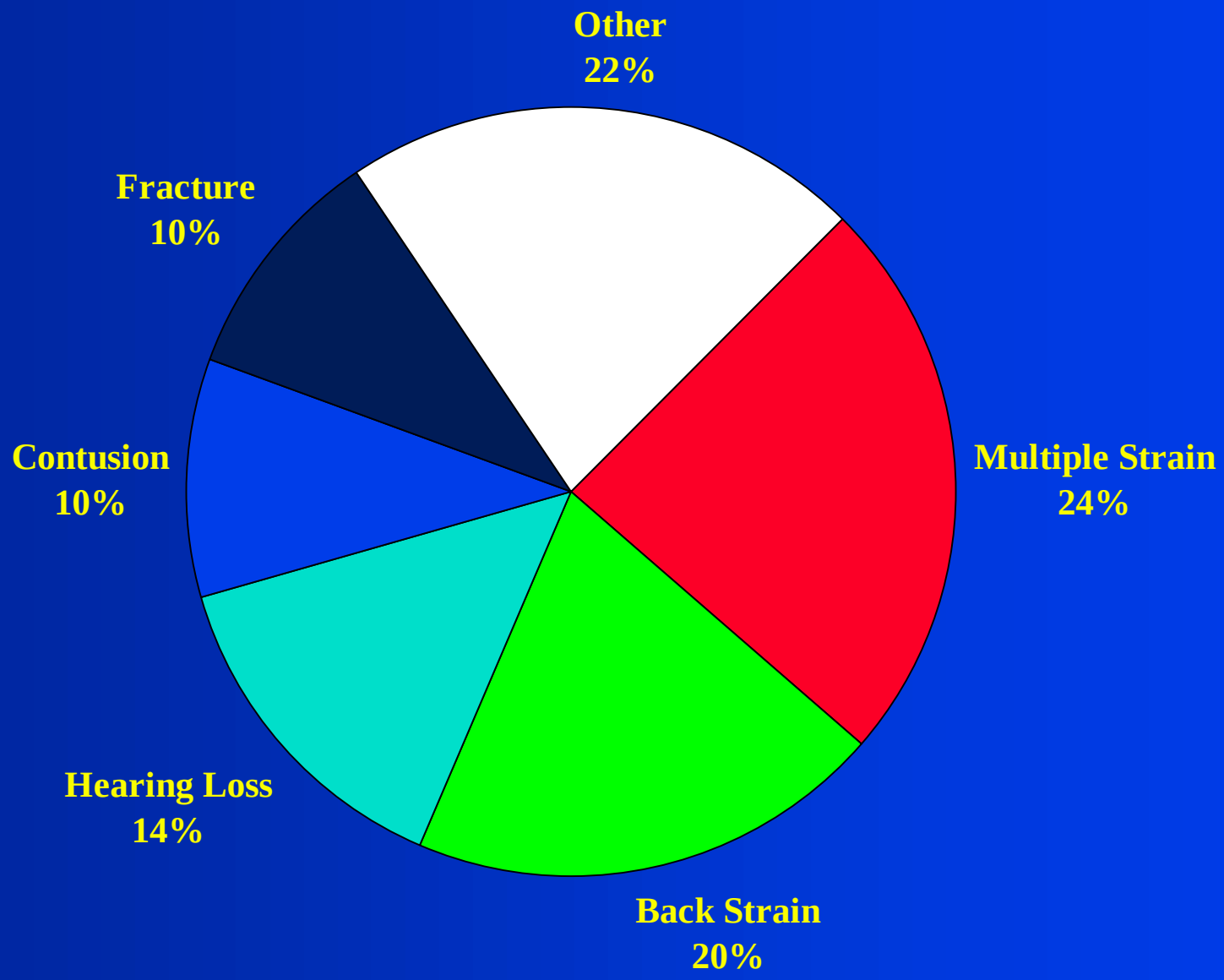
- Most FECA spending is compensation related, and more than half of cases are soft tissue injuries, or "patient discretionary" cases. This complicates legitimate efforts to remove individuals from long-term benefits

Most FECA Costs Are Compensation Related



Percent of total dollars

Most Spending Is On Soft-tissue Injuries



Percent of total dollars

Why is Closing Cases Difficult?

- Responsibility for costs is dissociated from responsibility for case management

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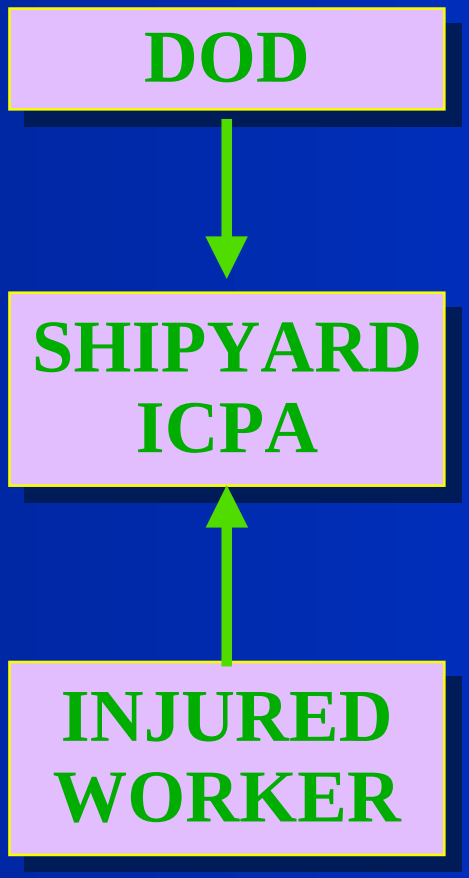
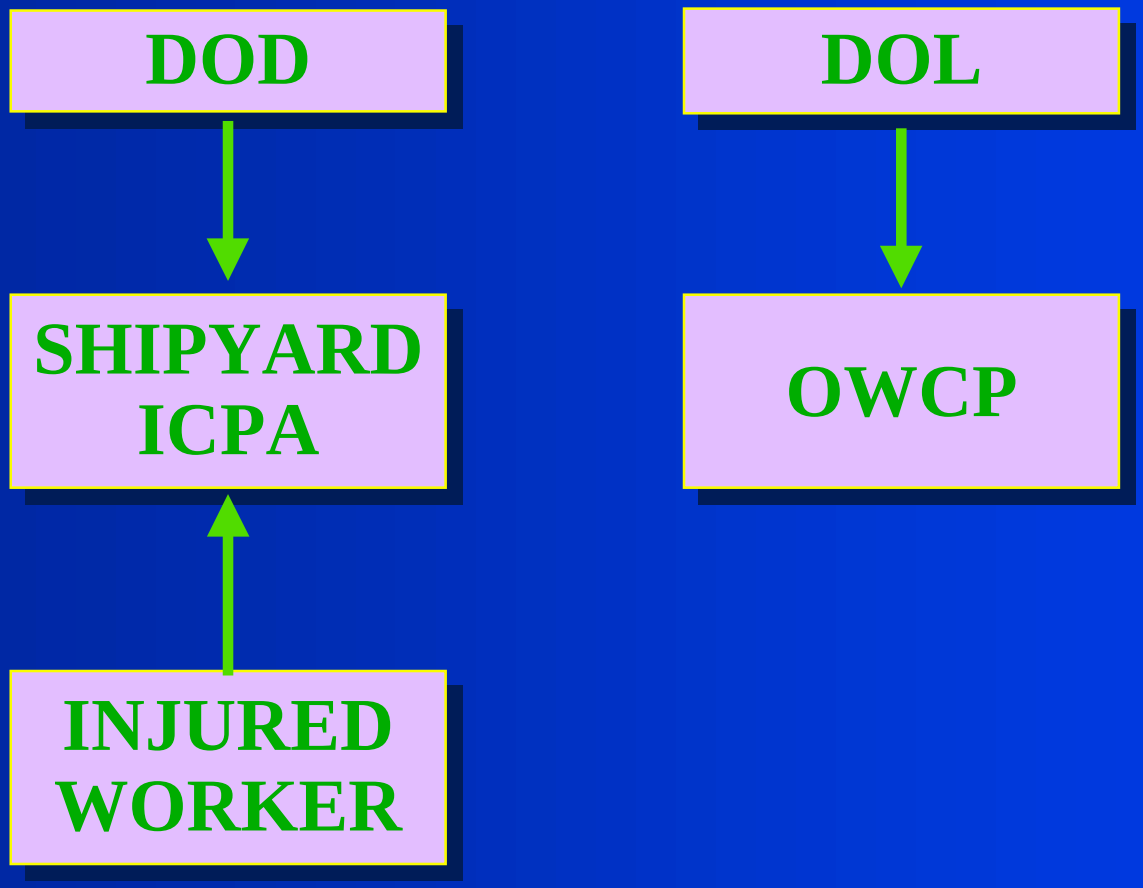


Claim Reporting and Initial Processing

Responsibility for Costs is Dissociated from Responsibility for Case Management



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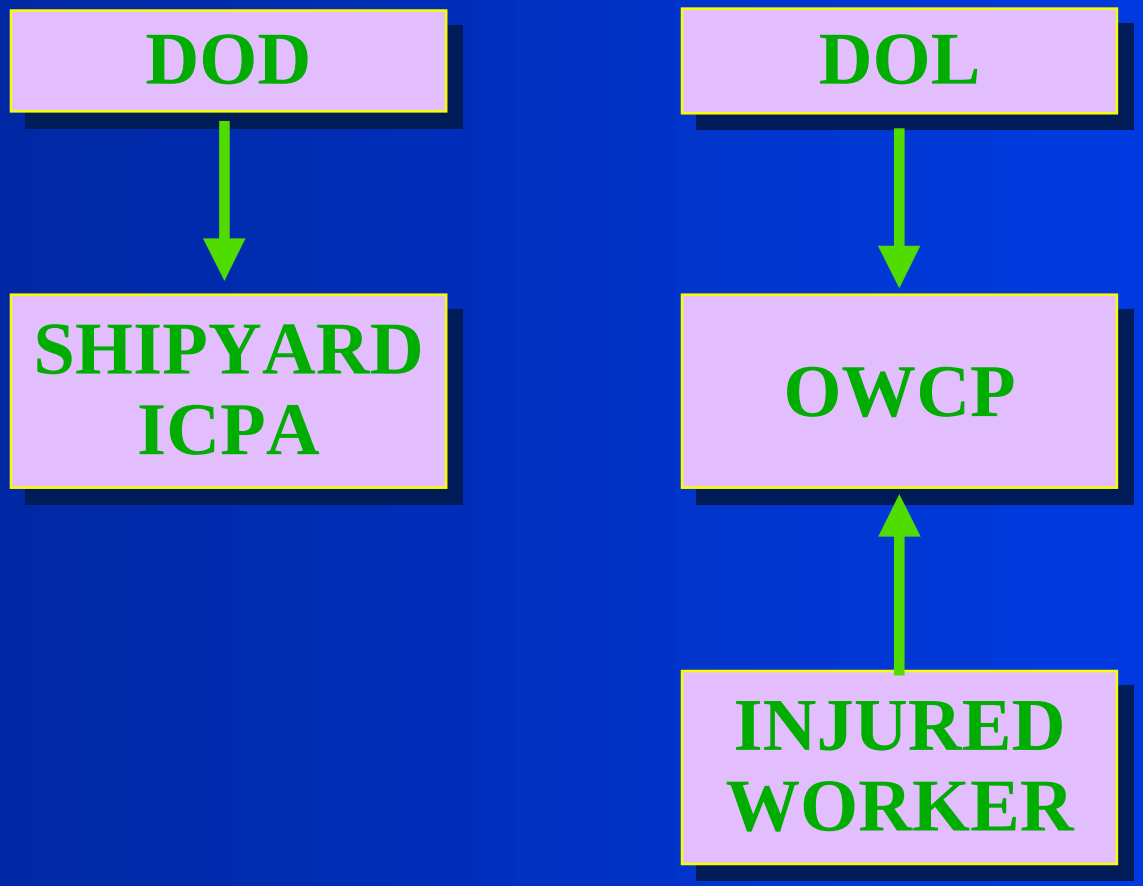
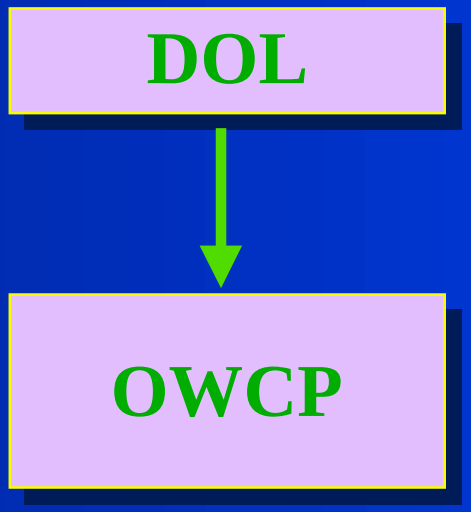


Long-term Case Management

Responsibility for Costs is Dissociated from Responsibility for Case Management



- 2,000 - 2,500 active cases
- administrators, not investigators
- system supports efficient paperwork and payment processing
- budget justified by number of active cases

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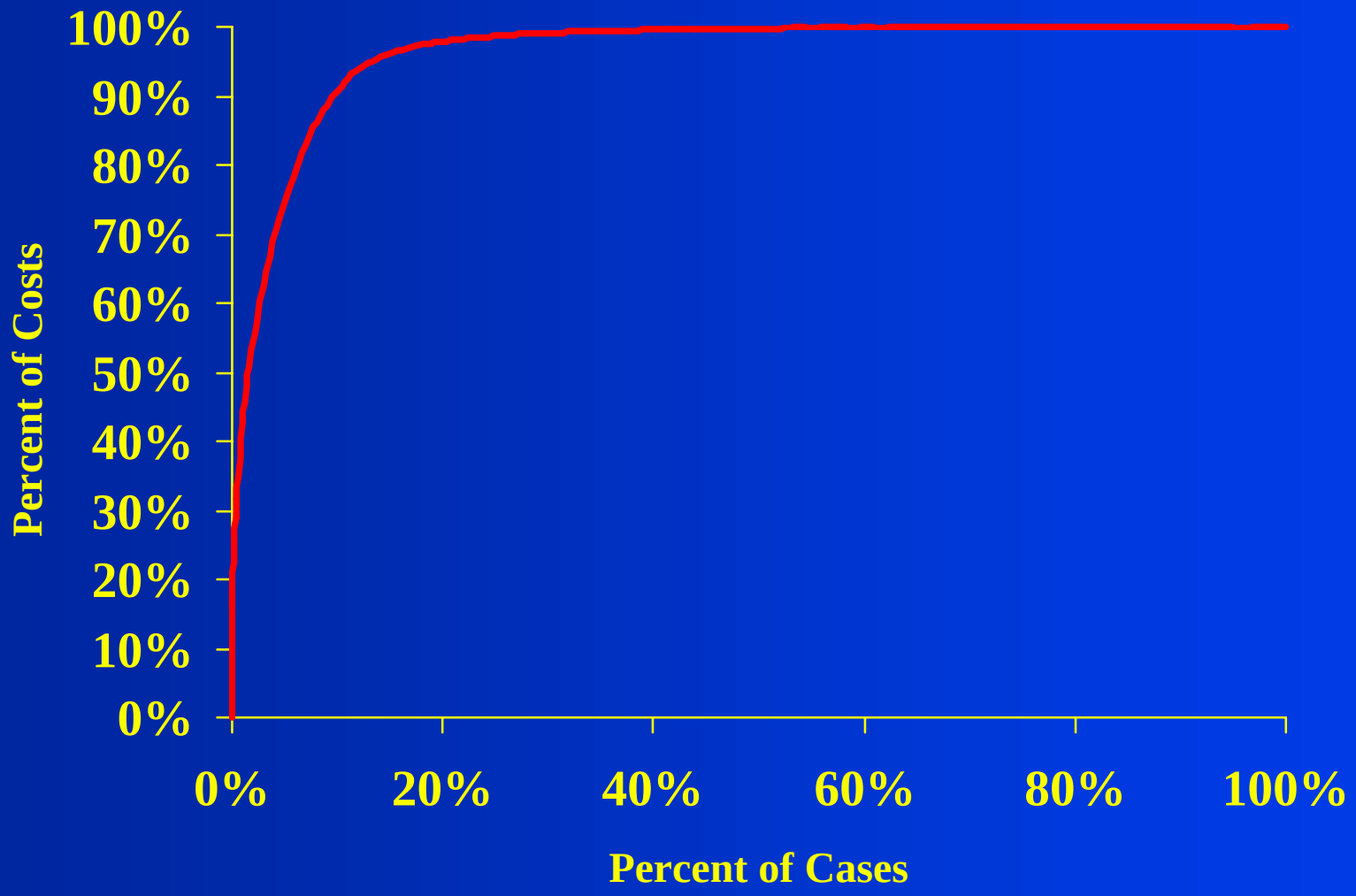
- NCIS investigative mission is focused on criminal activity
- NCIS priorities
- Limited resources to put against over 12,000 cases
  - data: who do you target?
  - personnel
  - cooperation (OWCP, SSA)
  - surveillance equipment

A Small Number of Cases Account for a Large Percentage of Total Spending



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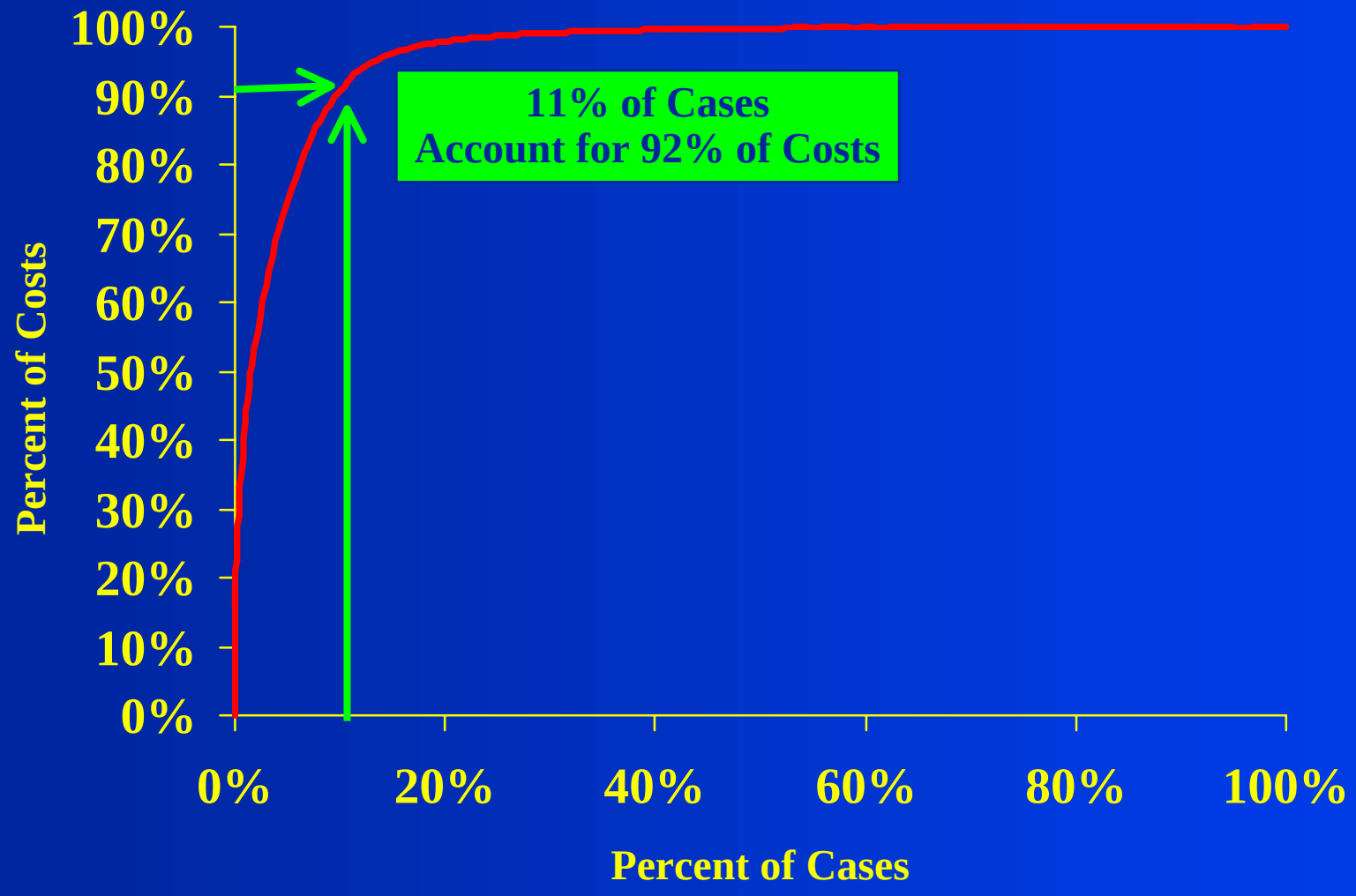

Why is Closing Cases Difficult?

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- NCIS investigative mission is focused on criminal activity
- NCIS priorities
- Limited resources to put against over 14,000 cases
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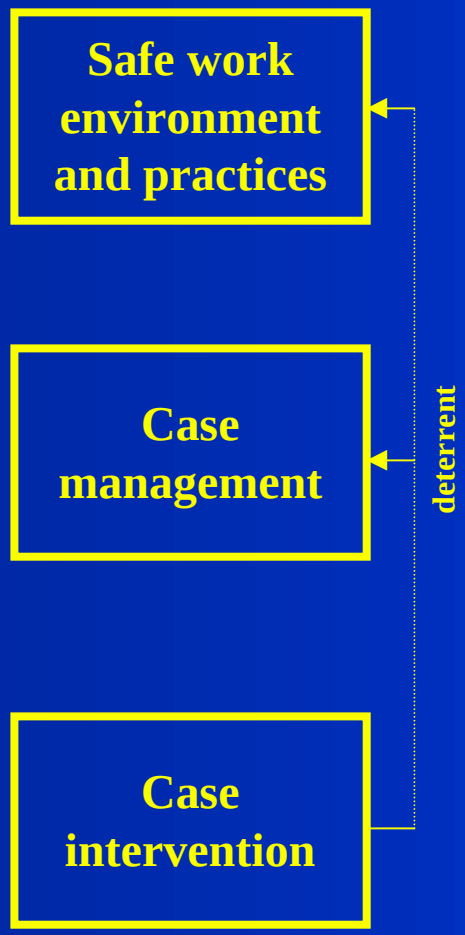
  - cooperation (OWCP, SSA)
  - surveillance equipment
- Ability to prosecute

FECA Cost Management Requires A Three-pronged Approach

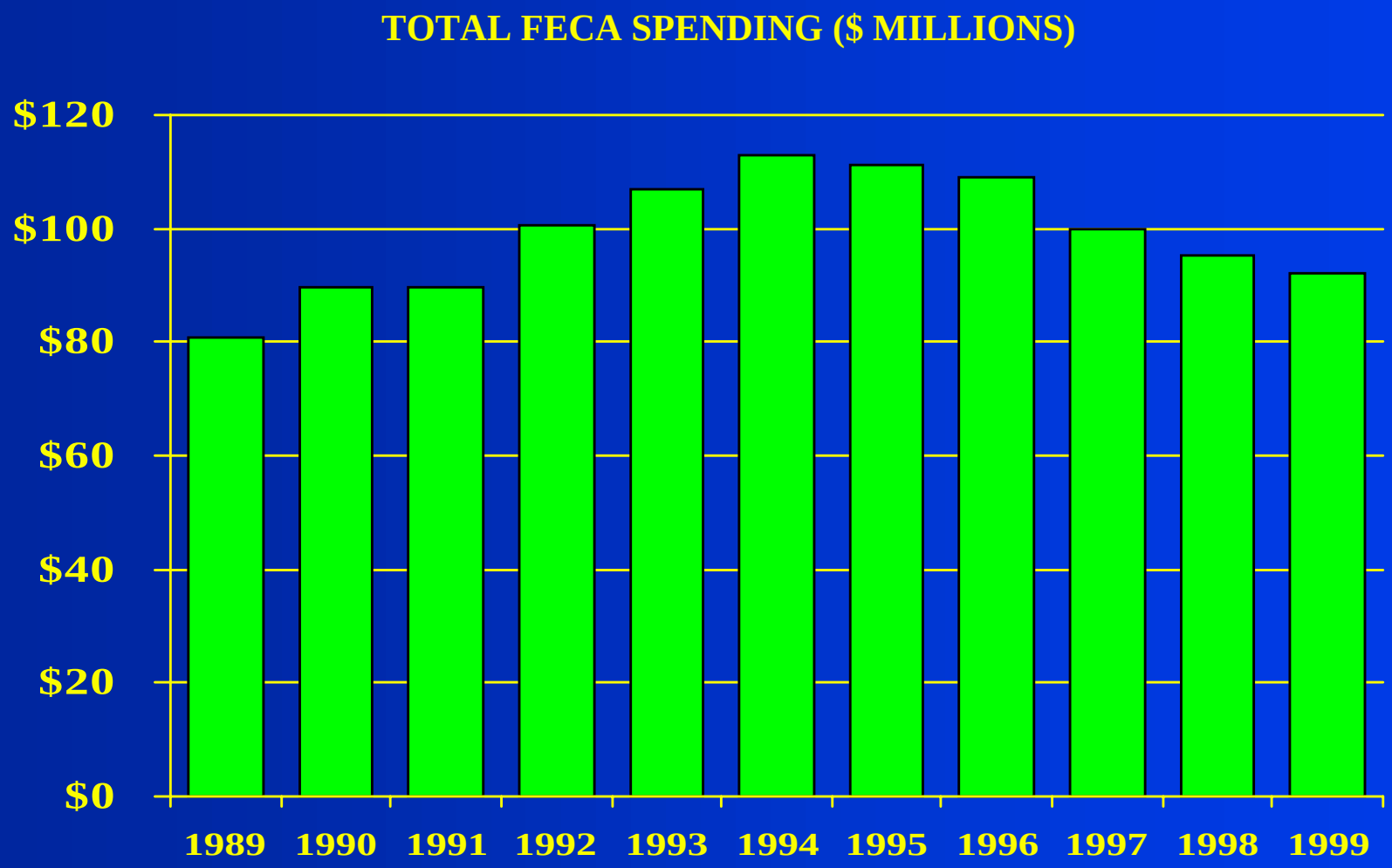


Don’t hurt people

Don’t let those on FECA get out of sight

Get involved when something goes wrong

Management of Aged Cases has Led to Dramatic FECA Cost Reductions



Shipyard FECA Has Cost More Than a Half-Billion Dollars Over The Past 5 Years

- **$70 Million was spent on cases created during the past five years**
- **$440 Million was spent on cases created more than five years ago**

Role of the Reserves

- Provided the analytical argument to focus on aged cases
- Ad hoc reports
- Assist the investigation process
  - provide focus for case investigation
  - provide data for case investigators (FECA field offices, Shipyards, NCIS)
  - assist in field investigations
- Insightful analysis
- Empower the field offices: FECA CD-ROM

FECA Costs are Only the Tip of the Iceberg

FECA Costs
$1

Ledger Costs of Property Damage
$5 - $50

- Building damage
- Tool and equipment damage
- Product and material damage
- Production delays and interruptions
- Legal expenses
- Expenditure of emergency supplies and equipment
- Interim equipment rentals
- Quality degradation
- Environmental damage

Uninsured Miscellaneous Costs
$1 - $3

- Investigation time
- Wages paid for time lost
- Cost of hiring and/or training replacements
- Overtime
- Extra supervisory time
- Clerical time
- Decreased output of injured worker upon return
- Loss of business and goodwill

Responsibilities of the Reserves

- Reservists drilling in shipyards can exert enormous influence on FECA costs through making a safety focus an integral part of the work process
  - Work planning: safety and environmental considerations (work site location, prerequisite tasks, work steps, worker qualification, and requirements related to work reviews, personal protective equipment, and hazardous materials and hazardous waste management)
  - Training: medical qualifications and other certifications; recognizing and avoiding potential hazards
  - Work execution: resources matched to the job