

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS PATELUNAS
(OCA/USPS-ST44-4)

The United States Postal Service hereby provides its response to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-ST44-4, filed on July 17, 2000, and redirected from witness Patelunas.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

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July 31, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST44-4. The following interrogatory refers to USPS-LR-I-422

- (a) Please confirm that in USPS-LR-I-126 at 92, the USPS estimated a 10.5 percent increase (($\$1,198,124,884 / \$1,083,966,019$)-1) in the "medical portion" of workers' compensation for FY 01. If you are unable to confirm, please explain.
- (b) Please specifically identify the rationale used and cite any sources relied upon when the "medical portion" of workers' compensation for FY 01 was modified from the 10.5 percent increase in the original filing to a 20.6 percent increase in your supplemental testimony (($\$1,493,034,282 / \$1,238,103,369$)-1).
- (c) Please explain how the USPS estimated increase of 20.6 percent in the "medical portion" of the FY 01 workers' compensation compares to the FY 01 national average estimate. If no comparison is available, please explain what comparison (if any) the USPS performs when preparing its workers' compensation estimates. If no comparisons are performed, please explain why none are done.
- (d) Please confirm that in USPS-LR-I-126 at 92, the USPS estimated a 6.5 percent increase (($\$4,565,057,984 / \$4,286,193,352$)-1) in the "base compensation liability" from FY 00 to FY 01. If you are unable to confirm, please explain.
- (e) Please specifically identify the rationale used and cite any information provided that led to the decrease from 6.5 percent to the 3.3 percent (($\$4,184,293,872 - \$4,049,782,684$)-1) "compensation portion" cost increase for FY 01.
- (f) Please confirm the following:
 - (1) Actual USPS FY 00 Q3 expense for the "medical portion" of workers' compensation is \$1,238,103,369.
 - (2) Actual USPS FY 00 Q3 expense for the "compensation portion" of workers' compensation is \$4,049,782,684.

If you are unable to confirm parts (1) and (2) of this interrogatory, please provide the actual expenses. If Q3 expenses are unavailable, please indicate when they will be available and provide them at that time.

RESPONSE:

(a) Confirmed, assuming you are referring to USPS-LR-I-128.

(b-c, e) USPS Workers' compensation expense is based on caseload and average case costs for postal workers' compensation claimants. For future years' expense estimates, caseload and average case cost estimates are prepared by Casualty Actuarial Services, Inc., based on actual historic trends in paid claims, with a strong weighting towards the most recent changes in caseload and case cost. The USPS-LR-I-128 estimate was based on caseload and case cost data received through March 31, 1999. The USPS-LR-I-422 estimate was based on caseload and case cost data received through March 31, 2000. During the intervening period—effectively, FY 2000--our experience with medical claims has become profoundly unfavorable. In this period, our experience with compensation claims has also become somewhat unfavorable. This unfavorable experience is reflected in the caseload and case cost data underlying the LR-USPS-I-422 expense calculations. Please also note that LR-USPS-I-422 reflects a change in estimation technique that the Postal Service is adopting in FY 2000. Historically, in the workers' compensation liability estimation model, the Postal Service has used a life annuity table prepared by the Centers for Disease Control (CDC) that reflects mortality experience for the general US population. In FY 2000, the Postal Service is adopting a life annuity table based on the Social Security Administration's (SSA) experience with a disabled population.

Our analysis indicates that using a life table reflecting experience with a disabled population is more reflective of our experience than a life table reflecting trends for the general population. Use of this life annuity table for FY 2000 in LR-USPS-I-422 estimate reduced the liability/expense estimate for FY 2000 by approximately \$400 million from what it would have otherwise been. It also reduced the FY 2001 estimate slightly. Lastly, it should be noted that the USPS-LR-I-128 estimate for FY 2000 included \$284.1 million in program savings; these savings have not come to fruition and have been excluded from the USPS-LR-I-422 estimate. The USPS-LR-I-422 estimate for FY 2001 does contain approximately \$77 million in estimated savings; this modest savings estimate reflects assumptions in regard to decreases in USPS reported injuries.

(d) Not confirmed. USPS-LR-I-128 detailed \$284.1 million in cumulative program savings impacting the liability for compensation claims. The ending base compensation liability including the impact of these estimated savings was \$4,280,957,695.


(f) (1) Not confirmed; the cited number is our projected FY 2000 year-end medical liability excluding the fourth quarter adjustment.

(2) Not confirmed; the cited number is our projected FY 2000 year-end compensation liability excluding the fourth quarter adjustment.

Actual FY 2000 Quarter 3 (that is, for the 12 month period ended March 31, 2000) equivalent numbers are \$1,168,093,000 and \$4,063,396,000.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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