

Washington, DC (June 6, 2012) —Rep. Elijah E. Cummings, Ranking Member of the House Oversight and Government Reform Committee, introduced legislation today that would save taxpayers huge sums of money by transitioning the existing workers' compensation insurance system for overseas government contractors away from private sector insurance companies to a federal self-insurance program.

"There is absolutely no reason American taxpayers should be lining the pockets of private insurance companies," said Cummings. "This bill would save billions of dollars while improving the ability of contractor employees who risk their lives in war zones to obtain the medical care and support they deserve."

According to a 2009 Pentagon [study](#), Congress could save as much as \$250 million a year by transitioning the existing Defense Base Act (DBA) insurance program to a government self-insurance program. The study found: "In the long run, the self-insurance alternative may have the greatest potential for minimizing DBA insurance costs, and it has several administrative and compliance advantages as well."

Cummings's legislation, H.R. 5891, [The Defense Base Act Insurance Improvement Act of 2012](#), would direct the Departments of Defense and Labor to establish a self-insurance program in which the government would pay directly for medical benefits and disability benefits rather than utilizing private insurance companies.

The existing system has been a boondoggle for private insurance companies, who have reaped enormous profits under the program. According to an Oversight Committee [investigation](#), insurance companies providing DBA insurance in Iraq and Afghanistan have made enormous underwriting profits that are significantly higher than those of traditional workers' compensation insurers.

The current DBA system requires contractors to purchase workers' compensation insurance for employees working overseas from private insurance carriers, and the contractors and insurance companies negotiate their own rates. Since the costs of the insurance premiums are often built into the price of the contract with the government, there is little incentive for contractors to limit insurance costs.

Cummings's bill would set a six month deadline for the Departments of Defense and Labor to develop an implementation strategy to transition to a self-insurance program, and it would require the strategy to be executed within a year after the bill is enacted.

The legislation would also require the Departments of Defense and Labor to issue a report one year after the program is implemented to assess its effectiveness in terms of cost-savings and the delivery of benefits.

In addition to cost concerns, the current system has failed to ensure that all injured workers obtain health care services, disability payments, or death benefits they and their families deserve. An analysis by [ProPublica](#) found that private insurance companies had denied about 44% of serious injury claims and about 60% of claims by employees suffering psychological damage such as post-traumatic stress disorder.

At the request of Congressman Cummings, the Domestic Policy Subcommittee held a hearing in 2009 to evaluate these findings, which confirmed that the Defense Base Act is in desperate need of reform.