FISCAL YEAR 2012

Summary of Performance and Financial Information

HEALTH CARE

PUBLIC HEALTH

RESEARCH & DEVELOPMENT

HUMAN SERVICES

U.S. Department of Health & Human Services

HHS.GOV

Contents

Message from the Secretary

The Department of Health and Human Services (HHS) strives to accomplish our mission of keeping Americans safe and healthy by administering effective health and human services programs and fostering advances in the sciences underlying medicine, public health, and social services. The past year has been a momentous one, as HHS worked to improve the lives of millions of Americans through the continued provision of human services and implementation of the Affordable Care Act. The Department remains committed to serving Americans of all ages, from our focus on quality early childhood education to our accomplishment of keeping Medicare cost growth at the lowest level in decades while increasing benefits for seniors.

We also made tremendous progress in our efforts to be effective stewards of public funds and will continue to look for ways to deliver the results that the American people expect and deserve. The HHS Strategic Plan guides the Department's programs. This plan identifies our top five strategic goals, which are supported by objectives and performance measures that help us track progress on the achievement of these goals:

1. Strengthen Health Care
2. Advance Scientific Knowledge and   Innovation
3. Advance the Health, Safety, and Well-Being of the American People
4. Increase Efficiency, Transparency, and Accountability
5. Strengthen the Nation's Health and Human Services Infrastructure and Workforce

This report summarizes the Department's performance over the last year. Our Department is committed to serving the American people as effectively and efficiently as possible and has emphasized better performance measurement and stronger data analysis to help us do so. Toward this end, we conduct regular data-driven reviews of our progress toward the achievement of our priority goals.

The financial and performance information contained in this report is a representative snapshot of the financial state of the Department as well as our performance results. This data is reliable, complete, and reflects the most current information available. For the thirteenth consecutive year, HHS earned an unqualified or "clean" opinion from our independent auditors on the Department's consolidated financial statements. More detailed information on the Department's financial state and performance results can be found in the Agency Financial Report and the Annual Performance Report.

Kathleen Sebelius
Secretary
Health and Human Services

Introduction

This document presents performance and financial information on the Department's eleven Operating Divisions and eighteen Staff Divisions. The next section highlights progress made toward achieving each of the five HHS Strategic Goals. This document ends with a discussion on some of the financial information and management challenges HHS faces.

In addition to the Strategic Goals, HHS established six Agency Priority Goals for FY 2012-FY 2013 that each require contributions from multiple Departmental Divisions. HHS conducted regular data-driven reviews guided by progress toward program milestones and other relevant indicators on the Agency Priority Goals throughout FY 2012. These reviews brought together stakeholders from across the Department as well as high-level Department leadership. The six Agency Priority Goals are:

1. Increase the proportion of health centers that are nationally recognized as Patient Centered Medical Homes from 1 percent to 25 percent

2. Reduce the national rate of healthcare-associated infections by demonstrating significant, quantitative, and measurable reductions in hospital-acquired central line-associated bloodstream infections and catheter-associated urinary tract infections

3. Increase the number of eligible providers who receive an incentive payment from the CMS Medicare and Medicaid Electronic Health Records (EHR) Incentive Programs for the successful adoption or meaningful use of certified EHR technology to 230,000

4. Improve the quality of early childhood programs for low-income children through implementation of the Quality Rating and Improvement Systems in the Child Care and Development Fund, and through implementation of the Classroom Assessment Scoring System (CLASS: Pre-K) in Head Start

5. Reduce annual adults' cigarette consumption in the United States from 1,281 cigarettes per capita to 1,062 cigarettes per capita, which represents a 17.1 percent decrease from the 2010 baseline

6. Decrease the rate of *Salmonella Enteritidis* illness in the population from 2.6 cases per 100,000 to 2.1 cases per 100,000

HHS made significant progress on all Agency Priority Goals in 2012. The Department achieved this progress in large part due to a focus on data-driven review and the active engagement of HHS leadership. HHS also works with people across the federal performance management community to implement best practices. Knowledge sharing helps HHS to continually refine its approach to ensure Agency Priority Goals are moving in a positive direction. Agency Priority Goals are progressing through data-driven reviews that feed new information and insights in to how HHS develops and measures these goals. Current data on past accomplishments and future actions on the Agency Priority Goals can also be found on Performance.gov. The site provides information on what measurements HHS uses to track goals.

In addition to the HHS Strategic Goals and the Agency Priority Goals, HHS reported data on nearly 135 key performance measures in the FY 2013 HHS Annual Performance Report. These measures represent important issue areas being addressed by the health care and human services communities. HHS does not yet have FY 2012 data available for all measures due to the lag associated with data collection and reporting. Of the FY 2012 results available, HHS either met its target or improved relative to last year's result for 89 percent of measures. This is consistent with reported data for FY 2011, in which HHS either met or improved performance toward their targets for 89 percent of measures.

These measures present a powerful tool in improving HHS operations and help to advance an effective, efficient and productive government. HHS regularly collects and analyzes performance data to inform decisions. HHS' Operating and Staff Divisions constantly strive to find lower-cost ways to achieve positive impacts, in addition to sustaining and fostering the replication of effective and efficient government programs.

Below are two charts that show the proportion of financial resources that are primarily dedicated to achieving each Strategic Goal. These goals are:

1. Strengthen Health Care
2. Advance Scientific Knowledge and Innovation
3. Advance the Health, Safety, and Well-Being of the American People
4. Increase Efficiency, Transparency, and Accountability of HHS Programs
5. Strengthen the Nation's Health and Human Service Infrastructure and Workforce

HHS invested resources towards fulfilling the primary mission of the Department as well as the provisions of the Affordable Care Act. The chart on the left provides the breakdown of the HHS budget by strategic goal. Although HHS funding here is broken down into strategic goals, many of the programs in HHS are crosscutting in nature and support a number of strategic goals. In the chart on the left the majority of the Department's funding is primarily associated with Goal 1 because of the large amount of money invested in delivering quality care and services through Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). Of the five strategic goals, 88% is spent on Goal 1, 3% on Goal 2, 7% on Goal 3, 2% on Goal 4, and less than 1% on Goal 5. The chart on the right demonstrates the HHS budget after subtracting the costs of Medicare, Medicaid, and CHIP. Of the five strategic goals excluding Medicare, Medicaid, and CHIP, 17% is spent on Goal 1, 21% on Goal 2, 48% on Goal 3, 12% on Goal Of the five strategic goals excluding Medicare, Medicaid, and CHIP, 17% is spent on Goal 1, 21% on Goal 2, 48% on Goal 3, 12% on Goal 4, and 2% on Goal 5.
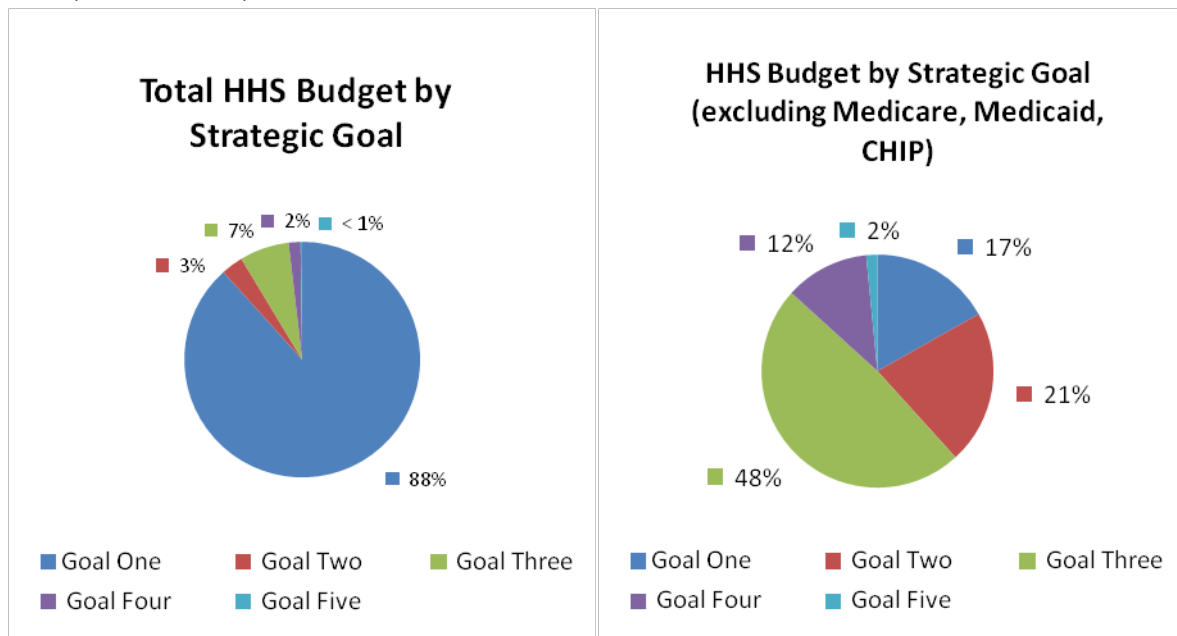
The following section provides more information on each Strategic Goal and highlights accomplishments across the Department in FY 2012 with success stories from our Operating and Staff Divisions.

Goal One: Strengthen Health Care

On March 23, 2010, President Obama signed the Affordable Care Act into law, transforming and modernizing the American health care system. Through the implementation of this law, HHS is making health insurance coverage more secure and reliable for all Americans, making coverage more affordable and accessible for families and small business owners, reducing the growth of health care costs and strengthening Medicare and Medicaid.

Goal One includes six objectives:

- Make coverage more secure for those who have insurance, and extend affordable coverage to the uninsured
- Improve health care quality and patient safety
- Emphasize primary and preventive care linked with community prevention services
- Reduce the growth of healthcare costs while promoting high-value, effective care
- Ensure access to quality, culturally competent care for vulnerable populations
- Promote the adoption and meaningful use of health information technology
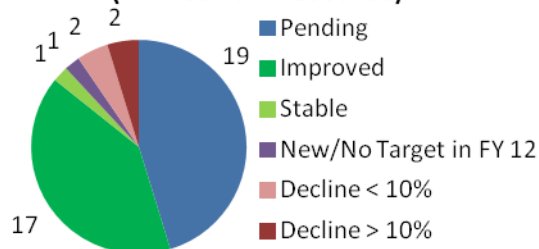
The Affordable Care Act is already strengthening the private health insurance market by making affordable coverage available to millions of Americans. The Affordable Care Act has helped 6.6 million young adults stay on their parents' plans until the age of 26, and has

Electronic Health Records

By September 2012, more than156,000 providers received payments for successful adoption or meaningful use of Electronic Health Records (EHR). This exceeds HHS' initial Priority Goal target of 140,000 providers by September 2013. Accordingly, CMS and the Office of the National Coordinator for Health Information Technology (ONC) set a new target of 230,000 providers by September 2013. HHS' communications, outreach, and technical assistance supported providers' efforts to use electronic data to improve health care quality, reduce unnecessary costs, and decrease paperwork. These efforts also helped to improve the health of Americans and support reformed payment structures, while protecting a patient's privacy and security. The Indian Health Service (IHS) has achieved certification of its EHR for meaningful use. IHS' tribal and urban Indian health sites have received more than $29 million in incentive payments, with over 346 Indian health sites having implemented the Electronic Health Record.

increased access to no-cost preventive services for an estimated 54 million Americans with insurance. The medical loss ratio (MLR) rule ensures that consumers are getting value for their health insurance dollars. MLR requires insurance companies to spend a set amount of premiums (80 percent for individuals and small groups and 85 percent of for large groups) on health care or provide rebates to customers. Insurance companies that did not meet the MLR standard provided more than $1.1 billion in rebates to approximately 13 million Americans last year.

The Centers for Medicare & Medicaid Services' (CMS) Quality Improvement Organizations (QIOs) completed outreach efforts for hospitals for the 10th Scope of Work (SOW) that began in August 2011 and supports the Healthcare-Associated Infections Priority Goal. To help reduce and prevent hospital-acquired central line-associated bloodstream infections, QIOs recruited 165 hospitals across 17 states, including 234 intensive-care units (ICUs) and 151 non-ICUs. For catheter-associated urinary tract infections, 675 hospitals were recruited across 50 states, the District of Columbia, Puerto Rico and the Virgin Islands including 857 ICUs and 782 non-ICUs.

Goal 1: Summary of Measure Progress (number of measures)

- Pending — 19
- Improved — 17
- Stable — 1
- New/No Target in FY 12 — 1
- Decline < 10% — 2
- Decline > 10% — 2

The Health Center Program, led by the Health Resources and Service Administration (HRSA), supports a national network of health centers that provides access to comprehensive quality primary health care services to medically underserved communities and vulnerable populations. By the end of FY 2012, 13 percent of health centers had at least one site recognized as a Patient Centered Medical Home.

For this goal, 81 percent of measures with available data showed stable or improved performance.

Goal Two: Advance Scientific Knowledge and Innovation

HHS is continually expanding its scientific understanding of how best to advance health care, public health, human services, biomedical research, and to ensure the availability of safe medical and food products. Chief among these efforts is the identification, implementation, and rigorous evaluation of new approaches in science, health care, public health, and human services that encourage efficiency, effectiveness, and sustainability.

Goal Two includes four objectives:

- Accelerate the process of scientific discovery to improve patient care
- Foster innovation to create shared solutions
- Invest in the regulatory sciences to improve food and medical product safety
- Increase our understanding of what works in public health and human service practice

Drug Approval Reaches 16-Year High

The Food and Drug Administration (FDA) approved 39 new drugs and biological products in 2012, the highest total in 16 years. This number of approvals surpasses goals contained in the Prescription Drug User Fee Act. Drugs treating cancer were the largest part of the new drugs approved in 2012.

The National Institutes of Health's (NIH) Molecular Libraries Program (MLP) made exceptional progress toward making the results of more than 400 key biological test results to researchers at no cost. Further, the MLP exceeded the FY 2012 performance target by depositing chemical structure and biological data for 294 small molecule probes in PubChem (a database of chemical molecules) since the program began. By disseminating results of the high-throughput biological assays, chemical optimization campaigns and probes in PubChem, the MLP has enabled mining of one of the largest sets of publicly available chemical biological information. This innovative program is expected to provide a scientific resource that will accelerate the discovery of protein functions that control critical processes such as development, aging and disease.

In FY 2012, the Agency for Healthcare Research and Quality (AHRQ) exceeded their target for making Effective Health Care Program products available for use by clinicians, consumers and policymakers. Overall, 1,219 products were disseminated, surpassing the target of 900. These products aim to provide evidence on the effectiveness, benefits and harms of different treatment options for diverse audiences.

Goal 2: Summary of Measure Progress (number of measures)

- Pending: 2
- Improved: 12
- Stable
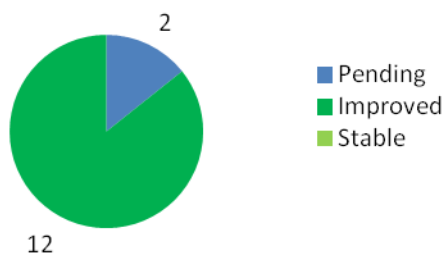
The Centers for Disease Control and Prevention (CDC) provides city and county data for more than 170 locations through its Selected Metropolitan/Micropolitan Area Risk Trends (SMART), data based on the Behavioral Risk Factor Surveillance System. SMART data are being used to identify emerging health problems, establish and track health objectives, and develop and evaluate public health policies and programs at a local level allowing for better program and services planning.

For this goal, 100 percent of measures with available data showed stable or improved performance.

Goal Three: Advance the Health, Safety, and Well-Being of the American People

HHS is striving to promote the health, economic and social well-being of children, people with disabilities, and older adults while improving prevention and wellness for all.

Goal Three includes six objectives:

- Promote the safety, well-being, and healthy development of children and youth
- Promote economic and social well-being for individuals, families, and communities
- Improve the accessibility and quality of supportive services for people with disabilities and older adults
- Promote prevention and wellness
- Reduce the occurrence of infectious diseases
- Protect Americans' health and safety during emergencies, and foster resilience in response to emergencies
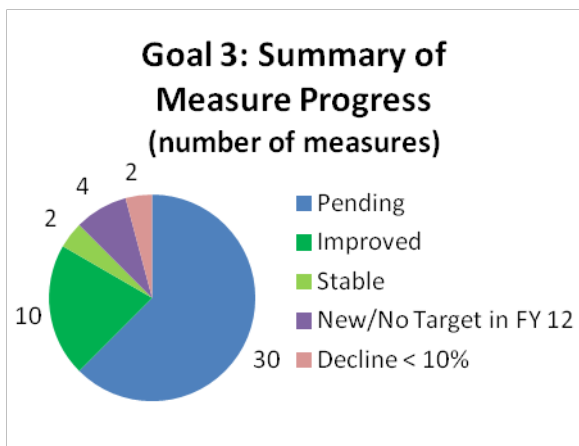
Suicide Prevention

The Substance Abuse and Mental Health Services Administration's (SAMHSA) National Suicide Prevention Lifeline exceeded its goal by having more than 884,000 calls answered by trained counselors in FY 2012. The Lifeline routes callers from anywhere in the U.S. to the closest certified crisis center within the network of more than 150 centers. SAMHSA has also continued its partnership with the Department of Veterans Affairs to provide around the clock access to a veterans suicide prevention network, which averaged more than 20,000 calls per month in FY 2012.

High quality early childhood programs are critical to preparing children for success in school and may be assessed through implementing Quality Rating and Improvement Systems (QRIS). In FY 2011, 17 states had a QRIS that met all seven high quality benchmarks. While FY 2012 data is not yet available, the Administration for Children and Families (ACF) measures the number of states that are making progress toward the benchmarks throughout the year. An additional 15 states have showed significant progress by meeting at least five (of the seven) quality benchmarks toward the Quality Early Childhood Education Priority Goal. HHS is working to toward the Priority Goal of reducing cigarette smoking through the efforts led by the Assistant Secretary for Health and HHS's Tobacco Control Implementation Committee. FDA conducted more than 80,000 retail inspections and issued nearly 3,000 warning letters, with the majority being violations related to selling tobacco products to minors. NIH expanded eHealth (electronic health) and mHealth (mobile health) activities to increase the reach and engagement of tobacco cessation resources. NIH also launched Smokefree Teen mobile and other online resources to help teens quit cigarette smoking, with tools also in Spanish. CDC's "*Tips from Former Smokers*" campaign generated nearly 200,000 additional calls to 1-800-QUIT-NOW and more than 400,000 additional unique visitors to www.smokefree.gov.

The FDA and CDC, as part of a Priority Goal, aim to reduce the rate of *Salmonella Enteritidis* (*SE)* illness to 2.1 per 100,000 cases. From the end of FY 2010 to the end of FY 2012, the rate decreased from 3.4 to 2.7 per 100,000 cases. FDA completed key performance milestones including inspections, and CDC evaluated candidate methodologies for generating estimates attributing *SE* infections to eggs, which are regulated by the FDA.

For this goal, 86 percent of measures with available data showed stable or improved performance.

Goal 3: Summary of Measure Progress (number of measures)

- Pending: 30
- Improved: 10
- Stable: 2
- New/No Target in FY 12: 4
- Decline < 10%: 2

Goal Four: Increase Efficiency, Transparency, and Accountability of HHS Programs

As the largest grant-awarding agency in the Federal Government and the nation's largest health insurer, HHS places a high priority on ensuring the integrity of its investments. HHS manages hundreds of programs in basic and applied science, public health, income support, child development, and health and social services which award over 75,000 grants annually.

Goal Four includes four objectives:

- Ensure program integrity and responsible stewardship of resources
- Fight fraud and work to eliminate improper payments
- Use HHS data to improve the health and well-being of the American People
- Improve HHS environmental, energy, and economic performance to promote sustainability

National Public Health Improvement Initiative

CDC's National Public Health Improvement Initiative supports state, tribal, local, and territorial public health agencies to improve the efficiency and effectiveness of their public health efforts. For example, New Jersey cut the time for reporting influenza results from 2-3 weeks down to 2-3 days, enabling earlier detection and response to protect the public's health. Virginia created an online system to replace time-consuming procurement processes and identified more than $1.2 million in annual information technology savings.

In an effort to increase government transparency, HHS placed performance information on the public website Performance.gov. For the first time this information now includes specific details regarding the six Agency Priority Goals, including milestone progress and crosscutting Departmental measures aimed at delivering tangible results for crucial issues. This information, which will be updated quarterly, allows the Department to openly show results to public and meet the goal of delivering a more effective, smarter, and leaner government by showing the ways in which the Department is improving performance.
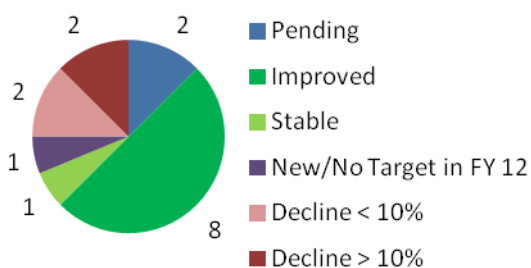
In FY 2012 NIH continued to increase awareness of funding opportunities provided by the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. These programs are Congressionally mandated to provide early-stage funding to U.S. small businesses and conduct rigorous outreach and dissemination of resources. They were successful in engaging with two regional groups representing Experimental Program to Stimulate Competitive Research (EPSCoR) states. For example, NIH partnered with the Kentucky Science and Technology Corporation to hold a conference attended by over 400 participants with targeted woman-owned and socially and economically disadvantaged small businesses.

CMS completed its first year of implementation of the fraud prevention system (FPS) ahead of schedule. The FPS uses predictive analytics to detect and track patterns of fraud and stop bad actors before they can bill Medicare

Goal 4: Summary of Measure Progress
(number of measures)

- Pending — 2
- Improved — 8
- Stable — 1
- New/No Target in FY 12 — 1
- Decline < 10% — 2
- Decline > 10% — 2

improperly. This FPS represents the first time such predictive analytic technology has been used by the government on such a large scale for the purpose of identifying health care fraud, waste, and abuse. The FPS generated leads for more than 530 new fraud investigations and provided new information for more than 500 pre-existing investigations. The system led to thousands of interviews with providers and beneficiaries to root out fraud. Overall, the FPS saved about three dollars for every dollar spent in FY 2012, and prevented or identified an estimated $115.4 million in payments.

For this goal, 69 percent of measures with available data showed stable or improved performance.

Goal Five: Strengthen the Nation's Health and Human Services Infrastructure and Workforce

The nation faces shortages of critical health care workers, including primary care physicians, nurses, behavioral health and long-term care workers, as well as public health and human service professionals. More than 64 million people currently live in an area that has a shortage of primary care health professionals. HHS programs seek to address these shortages, and ensure that there is an able health care workforce in the other areas that fall under the Department's purview, such as biomedical research.

Goal Five includes five objectives:

- Invest in the HHS workforce to help meet America's health and human service needs today and tomorrow
- Ensure that the nation's health care workforce can meet increased demands
- Enhance the ability of public health workforce to improve public health at home & abroad
- Strengthen the nation's human service workforce
- Improve national, state, local, and tribal surveillance and epidemiology capacity

> **National Health Service Corps**
>
> The National Health Service Corps (NHSC), under the umbrella of HRSA, addresses the nationwide shortage of health care providers in Health Professional Shortage Areas (HPSAs), targeting HPSAs of greatest need. It does so by providing recruitment and retention incentives in the form of scholarship and loan repayment support to health professionals committed to a career in primary care and service to underserved communities. In FY 2012, due to this effort, 9,908 providers met the primary care needs of 10.4 million patients in these communities. This NHSC field strength indicates the number of providers fulfilling service obligations with the NHSC.

In FY 2012, CDC assigned 160 Public Health Associates to public health agencies in 36 states, two tribal areas, one territory and the District of Columbia as part of a two-year training program to prepare them for future public health-related careers. These associates serve on the frontlines of the public health system to provide infectious disease investigation, environmental health surveillance, individual and community education and support for emergency responses to outbreaks. These outbreaks include food-borne diseases, seasonal diseases like influenza and natural disasters that put communities at high risk for disease infection. CDC also supported 546 fellows, 339 of whom were in state and local field assignments where they provided critical functions like foodborne outbreak response, reducing health care associated infections, and strengthening surge capacity during public health emergencies.

ONC, through the HITECH Workforce Programs, has built a solid foundation of curricula and training capacity within a network of over 90 community colleges and universities. These programs stimulate the development of a more highly trained public health workforce. In FY 2012, nearly 15,000 students completed Health IT training programs through these efforts.

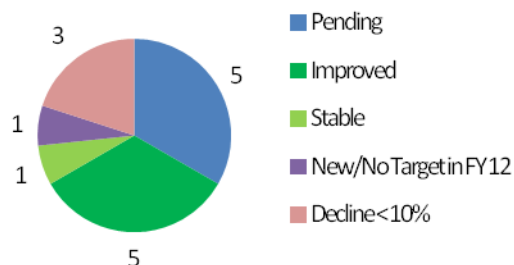NIH postdoctoral fellows were 13 percent more likely to remain active in biomedical research than postdoctorates not supported by NIH fellowship, exceeding the target of 12 percent for FY 2012. This shows that postdoctoral fellows funded by NIH are more likely to remain in research careers and are better able to compete for funding ten years past their training. The fellows from 1991 to 2001 were more than 1.5 times as likely to remain active in biomedical research as their peers not supported by NIH fellowships, as indicated by the greater percentage applying for and receiving NIH research project support within ten years of completing their training.

For this goal, 66 percent of measures with available data showed stable or improved performance.

Goal 5: Summary of Measure Progress (number of measures)

	Number
Pending	5
Improved	5
Stable	1
New/No Target in FY12	1
Decline <10%	3

Summary of Financial Statements and Stewardship Information

The financial statements were prepared in accordance with federal accounting standards and audited by the independent accounting firm of Ernst & Young LLP under the direction of our Inspector General. The Chief Financial Officers Act of 1990 (P.L. 101-576) requires the preparation and audit of these statements, which are part of our efforts for continuous improvement of financial management. The production of accurate and reliable financial information is necessary for making sound decisions, assessing performance, and allocating resources. Section II of the HHS Agency Financial Report (AFR) presents HHS' audited financial statements and notes and is available at: http://www.hhs.gov/afr.

Financial Condition: The following table summarizes trend information concerning components of HHS financial condition—assets, liabilities, and net position. The Consolidated Balance Sheet presents a snapshot of HHS financial condition as of September 30, 2012 compared to FY 2011, and displays assets, liabilities, and net position.

Table 1: Summary of Financial Condition Trends
(*in Billions*)

	FY 2008	FY 2019	FY 2010	FY 2011	FY 2012	Increase (Decrease)	Percent Change
Total Assets	**$ 529.3**	**$ 562.8**	**$ 563.7**	**$ 532.9**	**530.7**	**$ (2.2)**	**(.4) percent**
Fund Balance with Treasury	124.3	162.0	182.2	166.9	197.3	30.4	18.2 percent
Investments, Net	385.4	381.1	359.9	325.4	306.4	(19.0)	(5.8) percent
Other Assets	19.6	19.7	21.6	40.6	26.9	(13.7)	(33.7) percent
Total Liabilities	**$ 86.6**	**$ 94.4**	**$ 99.2**	**$ 104.9**	**$ 99.4**	**$ (5.5)**	**(5.2) percent**
Accounts Payable	1.0	1.1	1.6	1.2	1.1	(.1)	(8.3) percent
Entitlement Benefits Due and Payable	65.9	72.2	72.7	80.9	72.5	(8.4)	(10.4) percent
Accrued Grant Liabilities	3.9	4.0	4.2	4.5	3.7	(.8)	(17.8) percent
Federal Employee and Veterans Benefits	8.8	9.7	10.0	10.2	11.0	.8	7.8 percent
Other Liabilities	7.0	7.4	10.7	8.1	11.2	3.1	38.3 percent
Net Position	**$ 442.7**	**$ 468.4**	**$ 464.5**	**$ 428.0**	**431.2**	**$ 3.2**	**.7 percent**
Total Liabilities and Net Position	**$ 529.3**	**$ 562.8**	**$ 563.7**	**$ 532.9**	**530.7**	**$ (30.8)**	**(5.5) percent**

Net Cost of Operations: Another component of HHS financial picture is HHS Consolidated Statements of Net Cost. HHS net cost of operations represents the difference between the costs incurred by HHS programs less revenues. We receive the majority of HHS funding through Congressional appropriations and reimbursement for the provision of goods or services to other Federal agencies. Our Net Cost of Operations for the year ended September 30, 2012, totalled $855.5 billion. The majority of FY 2012 net costs relate to Medicare ($477.7 billion) and Health ($327.4 billion) programs, or more than 94 percent of our annual net costs.

The following table shows HHS net cost of operations by major component for the last five years. The FY 2012 Net Cost represents a decrease of $22.6 billion or 2.5 percent less than the FY 2011 Net Cost. Approximately 86.2 percent of the Net Cost of Operations ($737.2 billion) relates to Medicare, Medicaid, CHIP, and other health programs managed by CMS. Further information on the net cost of operations is available here.

Table 2: Net Cost of Operations

(*in Billions)*

	2008	2009	2010	2011	2012	$ Change	Percent Change
Responsibility Segments:							
Centers for Medicare and Medicaid Services (CMS) Gross Cost	$ 657.9	$ 749.0	$ 789.7	$ 817.4	802.3	15.1	(1.8) percent
CMS Exchange Revenue	(54.1)	(57.3)	(60.7)	(63.7)	(65.1)	(1.4)	(2.2) percent
CMS Net Cost of Operations	603.8	691.7	729.0	753.7	737.2	(16.5)	(2.2) percent
Other Segments:							
Other Segments Gross Cost of Operations	108.4	116.0	130.9	128.2	121.0	(7.2)	(5.6) percent
Exchange Revenue	(3.1)	(3.8)	(3.2)	(3.8)	(3.2)	0.6	15.8 percent
Other Segments Net Cost of Operations	105.3	112.2	127.7	124.4	118.3	(6.1)	(4.9) percent
Net Cost of Operations	$ 709.1	$ 803.9	$ 856.7	$ 878.1	855.5	(22.6)	2.5 percent

Summary of Management Challenges

The Department is continually striving to improve efficiency and effectiveness in its programs. Many HHS programs are complex and require long-term strategies for ensuring stable operations. They include:

- Implementing the Affordable Care Act
- Identifying and Reducing Improper Payments
- Preventing and Detecting Medicare and Medicaid Fraud
- Ensuring Patient Safety and Quality of Care
- Avoiding Waste and Promoting Value in Health Care
- Ensuring Efficiency and Effectiveness of Medicare and Medicaid Program Integrity Contractors
- Grants Management and Administration of Contract Funds
- Protecting Consumers of Food, Drugs, and Medical Devices
- Integrity and Security of Information Systems and Data
- Fostering an Ethical and Transparent Environment

Detailed information about each management challenge can be found in the FY 2012 Agency Financial Report which can be accessed here. In addition, the Government Accountability Office (GAO) has placed four HHS programs on its "High Risk List" that lists programs that may have greater vulnerabilities to fraud, waste, abuse and mismanagement. As a responsible steward of taxpayer resources, HHS is committed to making improvements related to these challenges and high-risk areas.

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