

FISCAL YEAR 2013

Summary of Performance and Financial Information



HEALTH CARE



PUBLIC HEALTH



RESEARCH & DEVELOPMENT



HUMAN SERVICES



U.S. Department of Health & Human Services
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Message from the Secretary

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 is reflected throughout the work of the Department of Health and Human Services (HHS). The Department is dedicated to serving Americans of all ages, from our focus on quality early childhood education to continuing the implementation of the Affordable Care Act while protecting vulnerable populations and promoting science and innovation.

We 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 FY 2010-2015 Strategic Plan guides the Department's programs and identifies our top five strategic goals, 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 of HHS Programs
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. We have executed our FY 2012-2013 Agency Priority Goals through collaboration across the Department leading to improvements in each goal. Additionally, the knowledge gained in these collaborations and during our data-driven reviews has supported the development of our new Agency Priority Goals. HHS performance initiatives, including Agency Priority Goals, continue to influence plans and policies as demonstrated in the Department's new Strategic Plan which guides our future efforts.

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 and complete, and reflects the most current information available as reflected in HHS earning an unqualified or "clean" opinion from our independent auditors on the Department's consolidated financial statements. More detailed information on the Department's financial status can be found in the Agency Financial Report and additional performance results in 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 sixteen 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.

Supporting the achievement of the Strategic Goals, HHS executed six [Agency Priority Goals](#) (APGs) for FY 2012-FY 2013, as described below. Each required collaboration and contributions from multiple Departmental Divisions which were reported through regular data-driven reviews. These reviews were guided by progress toward program milestones and other relevant indicators on the APGs throughout FY 2013 and brought together stakeholders from across the Department as well as high-level Department leadership.

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 APGs in 2013 and specific accomplishments are highlighted throughout this document. 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 continues to engage with individuals across the federal performance management community to implement best practice and refine our processes. These refinements and lessons learned have also influenced future plans and are represented in the FY 2014- FY 2015 APGs which HHS has developed. The most recent data and completed accomplishments as well as future actions on the FY 2014- FY 2015 APGs can also be found on [Performance.gov](#). The site provides information on what measures and milestones HHS uses to track progress toward these goals.

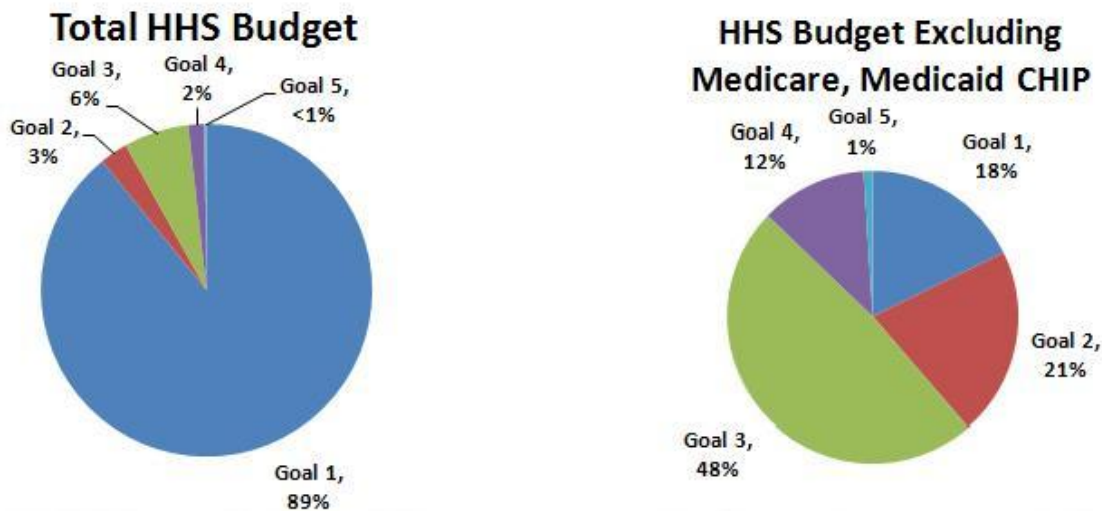
In addition to the HHS Strategic Goals and the Agency Priority Goals, HHS reported data on 136 key performance measures in the FY 2013 HHS [Annual Performance Report](#). These measures represent important issue areas being addressed by the health care and human services communities. While HHS does not yet have FY 2013 data available for all measures due to the lag associated with data collection and reporting, HHS either met its target or improved relative to last year's result for 82 percent of measures for the FY 2013 results reported to date. This is consistent with reported data for FY 2012, 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 in the FY 2010- FY 2015 Strategic Plan. 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 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, 89 percent is spent on Goal 1, 3 percent on Goal 2, 6 percent on Goal 3, 2 percent on Goal 4, and less than 1 percent 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, 34 percent is spent on Goal 1, 17 percent on Goal 2, 39 percent on Goal 3, 9 percent on Goal 4, and 1 percent on Goal 5.



The following section provides more information on each Strategic Goal and highlights accomplishments across the Department in FY 2013 with success stories from our Operating and Staff Divisions, in addition to the collaborative accomplishments achieved through the Agency Priority Goals.

Goal One: Strengthen Health Care

On March 23, 2010, President Obama signed the Affordable Care Act (ACA) 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

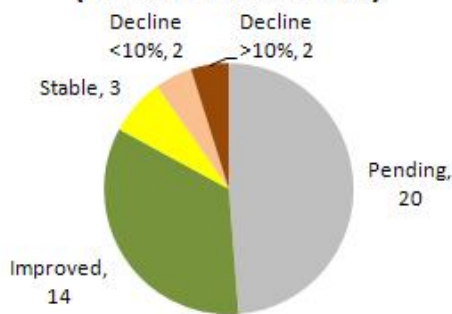
Insuring Young Adults Age 19-25

The ACA specifies that if a group health plan or private health insurance issuer covers children, the children can be added to or kept on a parent's health insurance policy until they turn 26 years old. The most recent data, as of the end of 2012, indicates 10.2 million young adults ages 19 to 25 were covered as a dependent on their parents' employer-sponsored insurance policy, which is an increase over the number of young adults covered in such policies in FY 2011 and continues the increase in the availability of health insurance for a population that has traditionally experienced a high uninsured rate.

Leveraging combined programmatic efforts, including Agency for Healthcare Quality (AHRQ), Centers for Disease Control and Prevention (CDC), Centers for Medicare & Medicaid Services (CMS) and the Office of the Assistant Secretary for Health (OASH), the Improve Patient Safety [Priority Goal](#) worked to reduce central line-associated bloodstream infections (CLABSI) by 25 percent and catheter-associated urinary tract infections (CAUTI) by 20 percent in hospitals nationwide by the end of FY 2013. Through FY 2013 Q2, CLABSI National Healthcare Safety Network (NHSN) data was calculated at 0.55 Standardized Infection Ratio (SIR) (per 1,000 days of treatment) or a 19 percent reduction in the SIR over the baseline of 0.68, significantly contributing to reduced infections, which saves lives and provides better patient outcomes. During the same period, CAUTI NHSN data was calculated at 1.02 SIR or a 9 percent increase in the SIR over the baseline of 0.94. In FY 2014, efforts will intensify to reverse this increase and reduce CAUTIs through maximizing collaboration and targeting specific facilities for additional assistance through the use of NHSN data.

In support of a FY 2012-FY 2013 [Priority Goal](#), the Patient Centered Medical Home (PCMH) initiative enhanced the quality of care in health centers and supported health center efforts to achieve PCMH certification by national accrediting organizations. As of Q4 of FY 2013, 978 health center grantees have initiated certification surveys demonstrating their desire to improve the quality of patient care through enhanced access, planning, management, and monitoring. Most importantly, 33 percent of health centers now have at least one site recognized as a PCMH.

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



A key step in improving healthcare quality and affordability is providing incentive payments to eligible providers serving Medicare and Medicaid beneficiaries who adopt and meaningfully use certified electronic health records (EHR) technology. As of September 2013, progress on this [Priority Goal](#) has exceeded expectations totaling more than 325,000 eligible providers. Concurrently, Indian Health Service (IHS) tracking of Meaningful Use payments indicates that, as of July 2013, 1,819 eligible providers from IHS, tribal, and urban Indian health programs have registered with CMS, and 931 eligible providers have received CMS EHR incentive payments.

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

CDC developed an innovative method of estimating illnesses associated with food commodities based on outbreak-associated illnesses for 1998–2008. As published in March 2013, by estimating annual US foodborne illnesses, hospitalizations, and deaths attributable to each of 17 food commodities, CDC found that 46% of illnesses were linked to produce and more deaths were linked to poultry than to any other commodity. CDC’s findings can be used by regulators and industry to design, target and implement more informed measures to prevent food contamination.

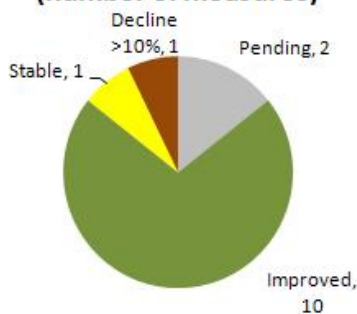
Genotype-Tissue Expression (GTEx)

This NIH program provides data on how human DNA variation correlates with variation in gene expression levels, which strengthens the power of genome-wide association studies to identify potential new gene targets for therapies. Following an initial two-year pilot, GTEx underwent an expansion in FY 2013 to build a comprehensive data and sample resource of genetic variation and gene expression profiles in multiple tissues. The GTEx program has been highly successful in procuring samples, extracting high-quality RNA from tissues, and obtaining data from gene expression array and RNA.

The National Institutes of Health’s (NIH) Molecular Libraries Program (MLP) provides a scientific resource that will accelerate the discovery of protein functions that control critical processes such as development, aging, and disease. MLP made exceptional progress and exceeded the FY 2013 target by completing 570 high-throughput screens for the MLP portfolio and associated bioactivity data. All data have been submitted to PubChem enabling one of the largest sets of publicly available chemical biology information to be used by both governmental and private researchers.

The Health Data Initiative (HDI) has made information more accessible to help improve health, healthcare, and the delivery of human services by harnessing the power of and fostering a culture of innovative uses of data in a diverse array of public and private sector settings. In 2013, HHS published 727 additional datasets bringing the total number of datasets to 1025 which significantly exceeded initial projections and demonstrates focused efforts across HHS to locate and catalog the high quality datasets developed and maintained by HHS agencies.

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



For this goal, 92 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

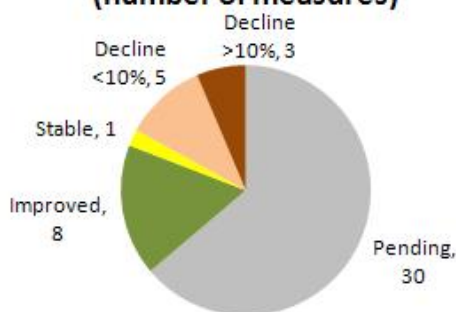
Reducing Cigarette Consumption

Smoking, and second hand smoke, kills an estimated 443,000 people in the U.S. each year. Between 2000 and 2004, smoking cost \$96 billion in medical costs and \$97 billion in lost productivity each year. The coordinated efforts of this [Priority Goal](#) have continued reductions in annual per capita cigarette consumption to 1,196 based on the most recent results thru CY 2012 representing an over 6 percent decrease from the 2010 baseline.

The "Improve the Quality of Early Childhood Education" [Priority Goal](#) calls for actions to improve the quality of early education programs for low-income children. The ACF Child Care program aims to increase the number of states with Quality Rating and Improvement Systems (QRIS) that meet the seven high-quality benchmarks for child care and other early childhood programs developed by the HHS, in coordination with the Department of Education. QRIS is a mechanism by which to improve the quality of child care available in communities and increase parents' knowledge and understanding of the child care options available to them. Through technical assistance and other support from ACF, 27 states had a QRIS that met high-quality benchmarks, surpassing the target of 25 states in FY 2013.

Salmonella is the leading known cause of bacterial foodborne illness and death in the United States. *Salmonella* serotype Enteritidis (SE), a subtype of *Salmonella*, is now the most common type in the United States and accounts for approximately 20 percent of all *Salmonella* cases in humans. The most significant sources of foodborne SE infections are shell eggs (FDA-regulated) and broiler chickens (USDA-regulated). FDA's strategy focuses on reducing illness from SE by reducing SE illness from shell eggs and is supported by the Food Safety [Priority Goal](#). Preventing *Salmonella* infections depends on actions taken by regulatory agencies, the food industry and consumers to reduce contamination of food, as well as actions taken for detecting and responding to outbreaks. CDC, as part of a shared vision to reduce foodborne illness, is working to improve data to better estimate sources of illness. These efforts have produced a quarterly reduction in the SE rate for the last 6 quarters reaching 2.32 infections per 100,000 persons in July 2013.

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



Through complementary programs, the Substance Abuse and Mental Health Administration (SAMHSA) seeks to facilitate permanent housing and provide access to supportive services for individuals with mental and substance use disorders. Ninety percent of program indicators display success in helping homeless (or those at risk) achieves permanent housing in their community. One measure of effectiveness of supportive services is to determine overall health status, both physical and emotional mental health, from the consumer's perception of his or her recent functioning. Specifically, how the consumer was able to deal with everyday life and how frequently the consumer experienced psychological distress within the past 30 days. Following the initial 13 percent increase in FY 2009, this percentage has been maintained at over 60 percent thru FY 2013.

For this goal, 53 percent of measures with available data showed stable or improved performance.

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

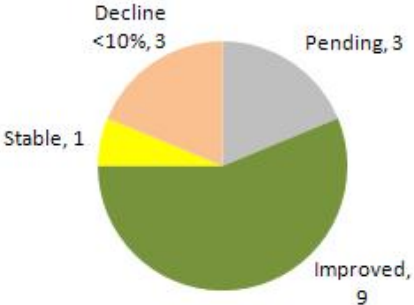
Ensuring Efficiency in Head Start Programs

ACF’s Head Start program works to ensure that the maximum numbers of children are served and that federal funds are used appropriately and efficiently by measuring under-enrollment. The most recent data available indicate that, during the FY 2012-2013 program year, Head Start grantees had, on average, an under enrollment level of 0.7 percent of the children they were funded to serve, continuing steady improvement in this area. Further improvements are expected in FY 2014 resulting from continued program support and technical assistance.

One of CMS’ key goals is to pay claims properly the first time. This means paying the right amount, to legitimate providers, for covered, reasonable and necessary services provided to eligible beneficiaries. Paying correctly the first time saves resources required to recover improper payments and ensures the proper expenditure of valuable Medicare Trust Fund dollars. The Medicare Fee-for-Service (FFS) improper payment estimate is calculated under the Comprehensive Error Rate Testing (CERT) Program. CMS did not meet the 2013 target for this measure, reporting an FY 2013 Medicare FFS improper payment rate of 10.1 percent, falling short of the 8.3 percent target. The primary causes of improper payments were due to Administrative and Documentation errors, in large part due to insufficient documentation. Other notable causes include Authentication and Medical Necessity errors, caused by medically unnecessary services and to a lesser extent, incorrect diagnosis coding.

Access to and quality of home and community-based services is foundational to the success of ACL’s programs. According to the most recent data reported in FY 2013, the Aging Services Network served 9,206 clients per million dollars of *Title III Older Americans Act* (OAA) funding in FY 2012 continuing to demonstrate the success of the Aging Services Network in employing available tools to enhance the use of OAA funds as this indicator has achieved its efficiency performance targets for the past eight years. This also serves to address performance efficiency at all levels of ACL’s Administration on Aging in the provision of home and community-based services, including caregiver services.

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



As part of its program assessment, the Office of Medicare Hearings and Appeals is evaluating its customer service through an independent evaluation. This will assure appellants and related parties are satisfied with their Administrative Law Judge Medicare Level III appeals experience based on beneficiary survey results. The data shows that, on a scale of 1 to 5, where 5 equals “very satisfied,” evaluations have consistently been at or above 4, which exceeds the yearly targets for this measure since FY 2008 including an average of 4 for FY 2013.

For this goal, 77 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

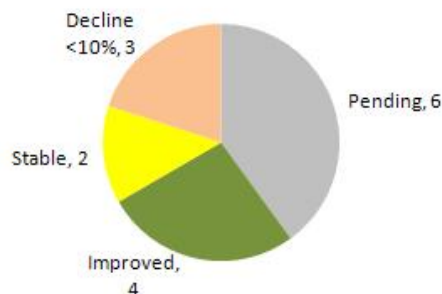
Field Epidemiology Training Programs (FETPs)

Through FETPs, CDC helps establish a network of disease detectives around the globe that are the first line of defense in detecting and responding to outbreaks in their respective countries as well as neighboring countries. Since 1980, CDC has developed 50 international FETPs serving 94 countries and graduated over 2,800 epidemiologists, in addition to continuing to add capacity thru the number of new residents to the program.

ACF’s Head Start program has shown a steady increase in the number of Head Start teachers with an Associate degree (AA), Bachelor of Arts (BA), or other advanced degree in early childhood education, supported by plans to improve the qualifications of staff. Based on end of FY 2013 data, 94.6 percent of Head Start teachers had an AA degree or higher, missing the target of 100 percent (as mandated by the 2007 Reauthorization), but improving over the previous result. Additionally, the number of Head Start teachers with a BA degree or advanced degree is 66 percent, far exceeding the statutory requirement of 50 percent.

The National Health Service Corps (NHSC) addresses the nationwide shortage of health care providers in health professional shortage areas 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. The NHSC field strength indicates the number of providers fulfilling active service obligations with the NHSC in underserved areas in exchange for scholarship or loan repayment support. At the end of FY 2013 the NHSC field strength was 8,899, nearly 2.5 times the field strength of FY 2008.

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



HHS recognizes that a high-quality workforce is crucial to the effective delivery of health and human services. A critical part is the education and training of the next generation of biomedical, behavioral, and clinical scientists. In FY 2013, success has been demonstrated as NIH pre-doctoral trainees and fellows were 11 percent more likely to remain active in biomedical research than non-NIH trainees and fellows; this result exceeded the annual target of 10 percent. Additionally, NIH postdoctoral fellows were 13 percent more likely to remain active in biomedical research than non-NIH fellows; also exceeding the annual target.

For this goal, 67 percent of measures with available data showed stable or improved performance.

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 requires the preparation and [audit](#) of these statements, which are part of our efforts for continuous improvement of financial management. Accurate, timely and reliable financial information is necessary for making sound decisions, assessing performance and allocating resources.

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, 2013 compared to FY 2012, and displays assets, liabilities, and net position.

Table 1: Summary of Financial Condition Trends

(in Billions)

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | \$ Increase (Decrease) | Percent Change |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------|-----------------------|
| Total Assets | \$ 562.8 | \$ 563.7 | \$ 532.9 | \$ 530.7 | \$ 470.2 | \$ (60.5) | (11.4) percent |
| Fund Balance with Treasury | 162.0 | 182.2 | 166.9 | 197.3 | 159.2 | (38.1) | (19.3) percent |
| Investments, Net | 381.1 | 359.9 | 325.4 | 306.4 | 281.7 | (24.7) | (8.1) percent |
| Other Assets | 19.7 | 21.6 | 40.6 | 27.0 | 29.3 | 2.3 | 8.5 percent |
| Total Liabilities | \$ 94.4 | \$ 99.2 | \$104.9 | \$ 99.5 | \$ 107.5 | \$ 8.0 | 8.0 percent |
| Accounts Payable | 1.1 | 1.6 | 1.2 | 1.1 | 1.2 | .1 | 9.1 percent |
| Entitlement Benefits Due and Payable | 72.2 | 72.7 | 80.9 | 72.5 | 77.3 | 4.8 | 6.6 percent |
| Accrued Grant Liabilities | 4.0 | 4.2 | 4.5 | 3.7 | 3.9 | .2 | 5.4 percent |
| Federal Employee and Veterans Benefits | 9.7 | 10.0 | 10.2 | 11.0 | 11.6 | .6 | 5.5 percent |
| Other Liabilities | 7.4 | 10.7 | 8.1 | 11.2 | 13.5 | 2.3 | 20.5 percent |
| Net Position | \$ 468.4 | \$ 464.5 | \$ 428.0 | \$ 431.2 | \$ 362.7 | \$ (68.5) | (15.9) percent |
| Total Liabilities and Net Position | \$ 562.8 | \$ 563.7 | \$ 532.9 | \$ 530.7 | \$ 470.2 | \$ (60.5) | (11.4) percent |

Net cost of operations represents the difference between the costs incurred by our programs less associated revenues. We receive the majority of our 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, 2013, totaled \$896.3 billion. The majority of FY 2013 net costs relate to Medicare (\$498.6 billion) and Health (\$345.9 billion) programs, or more than 94.2 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 2013 Net Cost represents an increase of \$40.7 billion or 4.8 percent more than the FY 2012 Net Cost of Operations. Approximately 86.9 percent of the Net Cost of Operations (\$779.2 billion) relates to Medicare, Medicaid, the Children's Health Insurance Program (CHIP) and other health programs managed CMS. Further information on the net cost of operations is available [here](#).

Table 2: Net Cost of Operations*(in Billions)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | \$ Change | Percent Change (2012-2013) |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|-------------------------------|
| Responsibility Segments: | | | | | | | |
| Centers for Medicare and Medicaid Services (CMS) Gross Cost | \$ 749.0 | \$ 789.7 | \$ 817.4 | \$ 802.3 | \$ 848.9 | \$ 46.6 | 5.8 percent |
| CMS Exchange Revenue | (57.3) | (60.7) | (63.7) | (65.1) | (69.7) | (4.6) | 7.1 percent |
| CMS Net Cost of Operations | 691.7 | 729.0 | 753.7 | 737.2 | 779.2 | 42.0 | 5.7 percent |
| Other Segments: | | | | | | | |
| Other Segments Gross Cost of Operations | 116.0 | 130.9 | 128.2 | 121.5 | 121.0 | (0.5) | (0.4) percent |
| Exchange Revenue | (3.8) | (3.2) | (3.8) | (3.2) | (3.9) | (0.7) | 21.9 percent |
| Other Segments Net Cost of Operations | 112.2 | 127.7 | 124.4 | 118.3 | 117.1 | (1.2) | (1.0) percent |
| Net Cost of Operations | \$ 803.9 | \$ 856.7 | \$ 878.1 | \$ 855.5 | \$ 896.3 | \$ 40.8 | 4.8 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:

- Overseeing the Health Insurance Marketplaces
- Transitioning to Value-Based Payments for Health Care
- Ensuring Appropriate Use of Prescription Drugs in Medicare and Medicaid
- Protecting the Integrity of an Expanding Medicaid Program
- Fighting Fraud and Waste in Medicare
- Preventing Improper Payments and Fraud in Medicare Advantage
- Ensuring Quality of Care in Nursing Facilities and Home- and Community-based Settings
- Effectively Using Data and Technology to Protect Program Integrity
- Protecting HHS Grants and Contract Funds from Fraud, Waste, and Abuse
- Ensuring the Safety of Food, Drugs and Medical Devices

Detailed information about each management challenge can be found in the FY 2013 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.

For more information contact:

The U.S. Department of Health and Human Services
 200 Independence Avenue, S.W., Washington, D.C. 20201
 Toll Free: 1-877-696-6775