FISCAL YEAR 2014

Summary of Performance and Financial Information

U.S. Department of Health & Human Services

HHS.GOV

Contents

Message from the Secretary

Our mission of ensuring every American has access to the building blocks of a healthy and productive life is reflected through the work of the Department of Health and Human Services (HHS). The Department is dedicated to serving Americans of all ages, from already decreasing the number of uninsured adults by about 10 million because of the Affordable Care Act to protecting vulnerable populations and promoting science and innovation and combating global health security crises.

We made strong 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 2014-2018 Strategic Plan guides the Department's programs and identifies our top four 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. Ensure Efficiency, Transparency, Accountability, and Effectiveness of HHS Programs

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 are currently executing our FY 2014-2015 Agency Priority Goals through collaboration across the Department leading to improvements in each goal. HHS performance initiatives, including Agency Priority Goals and Strategic Reviews, continue to influence plans and policies as demonstrated in the Department's Strategic Plan which guides our future efforts and areas of impact.

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 financial data reflects the most current information available and has earned an unmodified 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 Plan and Report.

Sylvia Mathews Burwell
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 sections highlight progress made toward achieving each of the four 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 is currently engaged in five Agency Priority Goals (APGs) for FY 2014-FY 2015, 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 2014 and brought together stakeholders from across the Department as well as high-level Department leadership. These Agency Priority Goals are:

1. Reduce the national rate of healthcare-associated infections by demonstrating a 10 percent reduction in national hospital-acquired catheter-associated urinary tract infections

2. Increase the number of eligible providers who receive incentive payments from the Centers for Medicare & Medicaid Services (CMS) Medicare and Medicaid Electronic Health Records (EHR) Incentive Programs for the successful adoption or demonstration of meaningful use of certified EHR technology to 450,000

3. 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

4. Reduce the annual adult combustible tobacco consumption in the United States from 1,342 cigarette equivalents per capita to 1,174 cigarette equivalents per capita, which will represent an approximate 12 percent decrease from the 2012 baseline

5. Decrease the rate of Salmonella Enteritidis illness in the population from 2.6 cases per 100,000 to 1.9 cases per 100,000

HHS made significant progress on all APGs in 2014 and specific accomplishments are highlighted throughout this document. The Department achieved this progress in large part due to a focus on data-driven review implementation of comprehensive action plans for each initiative. HHS also continues to engage with individuals across the federal performance management community to implement best practice and refine our processes. 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 135 key performance measures in the FY 2016 HHS Annual Performance Plan and Report. These measures represent important issue areas being addressed by the health care and human services communities. While HHS does not yet have FY 2014 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 2014 results reported to date. This is comparable to the reported data in the FY 2013 Summary of Performance and Financial Information, in which HHS either met or improved performance toward their targets for 82 percent of measures.

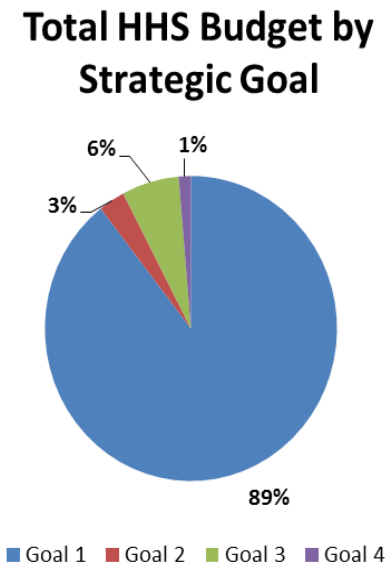
These measures present a powerful tool in improving HHS operations and help to advance an effective, efficient and productive government. HHS regularly collects and analyzes performance data to inform decisions. HHS' Operating and

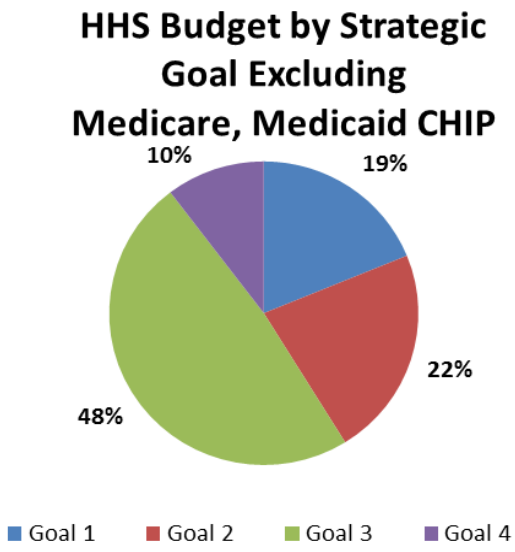
Staff Divisions constantly strive to find lower-cost ways to achieve positive impacts, in addition to sustaining and fostering the replication of effective and efficient government programs.

Below are two charts that show the proportion of financial resources that are primarily dedicated to achieving each Strategic Goal in the FY 2014- FY 2018 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. Ensure Efficiency, Transparency, Accountability, and Effectiveness of HHS Programs

HHS invested resources towards fulfilling the mission of the Department including 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 four strategic goals, 89 percent is spent on Goal 1, 3 percent on Goal 2, 6 percent on Goal 3, and 1 percent on Goal 4. The chart on the right demonstrates the HHS budget after subtracting the costs of Medicare, Medicaid, and CHIP. Of the four strategic goals excluding Medicare, Medicaid, and CHIP, 19 percent is spent on Goal 1, 22 percent on Goal 2, 48 percent on Goal 3, and 10 percent on Goal 4.





The following sections provide more information on each Strategic Goal and highlights accomplishments across the Department in FY 2014 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 into law, transforming and modernizing the American health care system. HHS continues to drive the effort to strengthen and modernize health care to improve patient outcomes. Through its programs, HHS also promotes efficiency and accountability, ensures patient safety, encourages shared responsibility, and works toward high-value health care. In addition to addressing these responsibilities, HHS is improving access to culturally competent, quality health care for uninsured, underserved and vulnerable populations.

Indian Health Service's Patient Care Program

IHS's patient-centered medical home model, the IHS Improving Patient Care Program (IPC), has 172 sites enrolled, serving over 615,000 American Indians and Alaska Natives, moving closer to the agency's goal of applying Program principles of improvement at all IHS sites in fiscal year 2015. IPC sites report shorter patient waiting times, improved no-show appointment rates, and better coordination of care because patients are seen consistently by the same provider at each clinic visit.

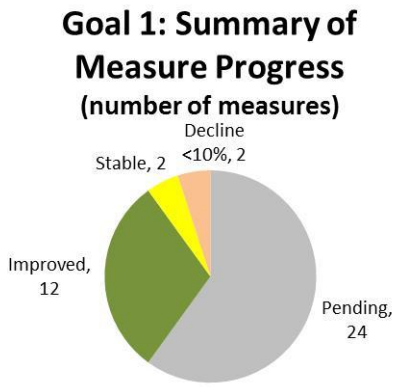
Goal One includes six objectives:

- 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, including long-term services and supports, for vulnerable populations
- Improve health care and population health through meaningful use of health information technology

HHS's efforts in patient safety as well as health care quality are reflected in the Improve Patient Safety Priority Goal, in order to reduce Healthcare-Associated Infections (HAIs). These infections can lead to significant morbidity and mortality, with tens of thousands of lives lost each year. Leveraging the combined programmatic efforts within HHS, including the Agency for Healthcare Research and Quality (AHRQ), the Centers for Disease Control and Prevention (CDC), the Office of the Assistant Secretary for Health (OASH) and CMS, the Improve Patient Safety Priority Goal is working to reduce catheter-associated urinary tract infections (CAUTI) by 10 percent in hospitals nationwide by the end of FY 2015. This is measured over the FY 2013 standardized infection ratio (SIR) of 1.03. The final SIR of the previous Priority Goal period (1.03) was higher than the 2010 baseline (.94). Although the SIR increased, knowledge gained during this period has led to better data tracking and monitoring as well as new approaches in the Intensive Care Units (ICUs) based on identified potential barriers. Lessons learned were also used to focus HHS efforts, including targeting the hospitals with the highest excess number of CAUTIs. The FY 2014 SIR will be reported in March of 2015.

At the heart of HHS's strategy to strengthen and modernize health care is the use of data to improve health care quality, reduce unnecessary health care costs, decrease paperwork, expand access to affordable care, improve population health, and support reformed payment structures. A key step in this strategy is to increase the number of eligible providers serving Medicare and Medicaid beneficiaries who adopt and meaningfully use certified EHR technology. The improvement of health care through meaningful use of health information technology continues as a Priority Goal for the FY 2014-2015 period, with a goal of increasing the number of participating providers receiving incentive payments to 450,000 by the end of 2015. Through the end of FY 2014, over 414,000 providers have received incentive payments.

A small cross-CMS team made up of dedicated, hard-working individuals have used the Partnership for Patients Initiative and Strong Start program to generate major, rapid, national, life-saving and life-enhancing results in the systematic reduction of early elective deliveries (EEDs). Early elective deliveries prior to 39 weeks have been shown to result in increased harm to babies. The team's hard work has generated rapid results across the nation. After years of



relatively stagnant rates, EED numbers are falling. Overall evaluation results are showing a 70 percent decrease in EED rates (from 10.3 percent to 3.1 percent) across 1,943 hospitals.

For this goal, 88 percent of measures with available data showed stable or improved performance.

Goal Two: Advance Scientific Knowledge and Innovation

HHS is 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, sustainability, and sharing or translating that knowledge into better products and services.

Goal Two includes four objectives:

- Accelerate the process of scientific discovery to improve health
- Foster and apply innovative solutions to health, public health, and human services challenges
- Advance the regulatory sciences to enhance food safety, improve medical product development, and support tobacco regulations
- Increase our understanding of what works in public health and human service practice
- Improve laboratory, surveillance, and epidemiology capacity

President's Malaria Initiative in Malawi

In FY 2014, CDC completed a 22-month study of the effectiveness of insecticide-treated bednets (ITNs) to prevent malaria in an area of Malawi with intense insecticide resistance. The study, partially funded by the President's Malaria Initiative showed parasite prevalence declined from 34 percent to 17 percent one year after ITNs were distributed to all households in the study area. The incidence of malaria infection was 70 percent lower among those who used ITNs compared to those who had not.

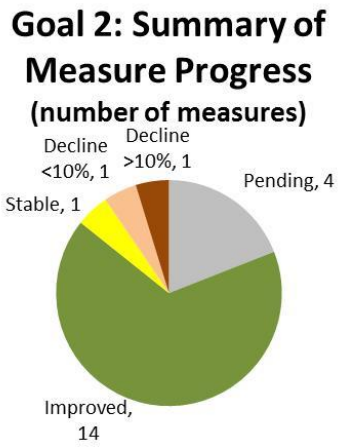
AHRQ's National Guidelines Clearinghouse™ (NGC) is the primary source for health care professionals to find evidence-based clinical practice guidelines. In 2014, NGC tightened evidence criteria for the guidelines it includes, and built on efforts to raise awareness of evidence-based guidelines in collaboration with more than 200 professional organizations that develop these guidelines. As of the end of 2014, the NGC included more than 2700 guidelines. More than 90,000 users subscribe to AHRQ's weekly email service and the Clearinghouse website receives approximately 400,000 visits each month.

CDC's first-ever data-release on the use of e-cigarettes among youth garnered more than 1 billion media impressions. CDC staff examined poison control calls related to e-cigarettes for the first time, finding calls jumped from 0.3 percent in September, 2010 to 41.7 percent in February, 2014, more than half of which were for children under age five. Summary of this analysis was featured in "Notes from the Field" garnering over 200 million media impressions worth over $1.7 million dollars in publicity value.

In FY 2014, National Institutes of Health (NIH) supported researchers demonstrated that exposure to young blood reactivated genes in older research animals' brains that encouraged neurons to make new connections, which are key

to forming memories and learning new skills. In related research, another group of NIH supported scientists demonstrated that exposure to young blood or injections of a protein called growth differentiation factor 11 (GDF11) could boost the number of neural stem cells and improve sense of smell in older research animals. Taken together, these findings raise the possibility of protecting or even restoring cognitive powers that tend to decline as people grow older. More information can be found here.

The Substance Abuse and Mental Health Agency (SAMHSA) launched two mobile apps in FY 2014 to provide information resources and tools regarding two key behavioral health issues – disaster response and bullying prevention. In February 2014, SAMHSA launched the Behavioral Health Disaster Response mobile app to support first responders in times of natural or man-made disasters. This app enables first responders to access and share behavioral health resources, with those most in need, during and after deployment. In August of 2014, SAMHSA also launched the KnowBullying app. This app helps parents and caregivers engage in meaningful conversations with their children about bullying. The KnowBullying app includes strategies for different age groups to prevent bullying. Parents and caregivers also learn about warning signs and to recognize if their child is engaging in bullying, being bullied, or witnessing bullying. The apps are tagged to allow SAMHSA to see screens/pages visitors view, clicks on outbound links, device type and other traditional web metrics. Within seven months of launch, the Disaster mobile app has been downloaded over 8,250 times. Within two months of launch, the KnowBullying app has been downloaded over 10,000 times.



For this goal, 88 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 strives to promote the health, economic, and social well-being of children, people with disabilities, and older adults while improving wellness for all. To meet this goal, the Department is employing evidence-based strategies to strengthen families and to improve outcomes for children, adults, and communities. Underlying each objective and strategy associated with this goal is a focus on prevention.

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 across the life span
- Reduce the occurrence of infectious diseases

Improving Early Childhood Education

The Improve the Quality of Early Childhood Education Priority Goal calls for actions to improve the quality of programs for children of low-income families, namely Head Start and Child Care. For the Head Start program, the aim is to decrease the number of children in classrooms receiving a score in the low range of the CLASS: Pre-K. CLASS: Pre-K measures three aspects of the child's experience in the classroom: emotional support, classroom organization, and instructional support. During FY 2014, 23 percent of classrooms scored in the low range, exceeding the target of 27 percent.

- Protect Americans' health and safety during emergencies, and foster resilience in response to emergencies

While smoking among adults in the U.S. has decreased significantly from a decade ago, the decline in adult smoking rates has slowed, concurrent with reductions in state investments in tobacco control programs. However, the coordinated efforts of the Priority Goal to reduce tobacco use have resulted in reductions in adult cigarette consumption, based on FY 2013 results (reported in June 2014). In the 2014-2015 iteration of this Priority Goal, HHS is focused on a new measure of smoking-- annual per capita adult combustible tobacco consumption in the U.S. This new measure focuses on all combustibles, not just cigarettes, as a way to ascertain broader trends in tobacco use among adults. Data on this new measure will be available following FY 2014.

Salmonella is the leading known cause of bacterial foodborne illness and death in the U.S. Each year in the U.S., Salmonella causes an estimated 1.2 million illnesses and between 400 and 500 deaths. Salmonella serotype enteritidis (SE), a subtype of Salmonella, is now the most common type of salmonella in the U.S. and accounts for approximately 20 percent of all salmonella cases in humans, and reducing its prevalence is an HHS Priority Goal to reduce foodborne illness in the population. The most significant sources of foodborne SE infections are shell eggs (regulated by the Food and Drug Administration) and broiler chickens (regulated by the United States Department of Agriculture). Therefore, reducing SE illness from shell eggs is the most appropriate strategy for reducing illness from SE. 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 estimated that, for 2007-2009, 40 percent of domestically-acquired, foodborne SE illnesses were from eating shell eggs and 28 percent of total SE illnesses (foodborne, non-foodborne, and international travel-associated) were from shell eggs. CDC completed an evaluation of a "food product" model to estimate annual change in percentage of SE illnesses from shell eggs, but determined that necessary data about contamination of shell eggs was not available. CDC concluded that this model could not be used unless new sources of egg data were obtained. Therefore, as of January 2014, CDC began collecting exposure data from persons with SE infection in FoodNet sites, a network that conducts surveillance for infections diagnosed by laboratory testing of samples from patients. CDC will conduct a preliminary evaluation of this data to assess its quality and determine its usefulness in updating CDC's exposure model for estimating the proportion of total SE illnesses attributable to shell eggs during 2014-2015. As of June 2014, the SE rate was 2.79 infections per 100,000.

The Administration for Children and Families' (ACF) Child Care and Development Fund (CCDF) program provides funding to help low-income families pay for child care and to improve the overall quality of child care programs. States continue to implement quality rating and improvement systems (QRIS) that meet benchmarks, such as providing financial support to providers and making quality information available to parents. This is also part of the Improve the Quality of Early Childhood Education Priority Goal. The number of states with QRIS that meet these benchmarks increased from 17 states in FY 2011 to 27 states in FY 2013. The President recently signed into law reauthorization of the CCDF program. The law emphasizes the importance of high-quality child care, increases the amount states must spend on measurable quality activities, and requires professional development initiatives for child care providers.

Through the National Family Caregiver Support Program (NCSP), the Administration for Community Living (ACL) and the national aging services network have supported caregivers with an array of services including: counseling and training services, respite care, and access assistance. The program has been successful in reducing caregiver stress and helping caregivers to continue providing care longer. Between 2005 and 2012 the program has reduced the percentage of caregivers reporting difficulty in obtaining services by 47 percent.

For this goal, 78 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 expenditures. 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. The Department has robust processes in place to manage the resources and information employed to support programs and activities.

Goal Four includes four objectives:

- Strengthen program integrity and responsible stewardship by reducing improper payments, fighting fraud, and integrating financial, performance, and risk management
- Enhance access to and use of data to improve HHS programs and to support improvements in the health and well-being of the American People
- Invest in the HHS workforce to help meet America's health and human services needs
- Improve HHS environmental, energy, and economic performance to promote sustainability

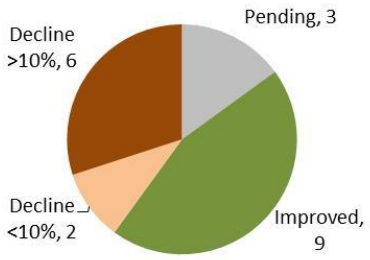
Reducing the Reporting Time for Pediatric Cancer Cases

CDC completed implementation of early case capture (ECC) for pediatric cancer patients in seven central cancer registries. As a result, 97 percent of ECC cases are now reported within nine months to the central cancer registry and are available for research use and incidence reporting at the state level, less than half the time it takes for routine reporting (18-24 months).

For the past two years, AHRQ's Consumer Assessment of Healthcare Providers and Systems (CAHPS) team has been working with the Center for Consumer Information and Insurance Oversight at CMS to develop a CAHPS Survey called the Quality Health Plan Enrollee Survey. In 2015, the Quality Health Plan Enrollee Survey will be administered to a sample of enrollees in qualified health plans participating in the Health Insurance Marketplaces established by the Affordable Care Act. This information will ultimately be published on Healthcare.gov for the 2017 plan year and will allow consumers to review assessments of enrollee satisfaction as part of their plan selection process, thus allowing them to choose the best plan for the needs of themselves and their families.

A foundation of ACL's program success is access to Home and Community-based Services. In FY 2013, the Aging Services Network served 9,753 clients per million dollars of Older Americans Act funding, exceeding the target of 8,700. This reflects the success of ongoing initiatives to improve program management and expand options for home and community-based care. Aging and Disability Resource Centers, along with increased commitments and partnerships at the state and local levels, have all had positive impacts on program efficiency. Between FY 2007 and FY 2013 performance has improved by nearly 17 percent, without the benefit of adjustment for inflation.

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



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 2014 target for this measure, reporting an FY 2014 Medicare FFS improper payment rate of 12.7 percent, falling short of the 9.9 percent target. The primary causes of improper

payments were due to Administrative and Documentation errors, in large part due to insufficient documentation. CMS has already taken several steps to correct these errors, including modifying the Home Health regulations to improve documentation of the face-to-face requirement and implementing new prior authorization demonstrations to improve quality and reduce improper payments.

For this goal, 53 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, 2014 compared to FY 2013, and displays assets, liabilities, and net position.

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

Assets and Liabilities	**2010**	**2011**	**2012**	**2013**	**2014**	**$ Change (2013-14)**	**% Change (2013-14)**
Fund Balance with Treasury	$182.2	$166.9	$197.3	$159.2	$177.0	$17.8	11.2
Investments, Net	359.9	325.4	306.4	281.7	278.9	(2.8)	(1.0)
Other Assets	21.6	40.6	27.0	29.3	26.4	(2.9)	(9.9)
Total Assets	**$563.7**	**$532.9**	**$530.7**	**$470.2**	**$482.3**	**$12.1**	**2.6**
Accounts Payable	$1.6	$1.2	$1.1	$1.2	1.0	$ (0.2)	(16.7)
Entitlement Benefits Due and Payable	72.7	80.9	72.5	77.3	91.0	13.7	17.7
Accrued Grant Liability	4.2	4.5	3.7	3.9	3.3	(0.6)	(15.4)
Federal Employee and Veterans' Benefits	10.0	10.2	11.0	11.6	12.0	0.4	3.4
Other Liabilities	10.7	8.1	11.2	13.5	16.8	3.3	24.4
Total Liabilities	**$99.2**	**$104.9**	**$99.5**	**$107.5**	**$124.1**	**$16.6**	**15.4**
Net Position	**$464.5**	**$428.0**	**$431.2**	**$362.7**	**$358.2**	**$ (4.5)**	**(1.2)**
Total Liabilities & Net Position	**$563.7**	**$532.9**	**$530.7**	**$470.2**	**$482.3**	**$12.1**	**2.6**

Our Consolidated 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 Consolidated Net Cost of

Operations for the year ended September 30, 2014, totaled $952.0 billion. The majority of FY 2014 net costs relate to Medicare ($518.1 billion) and the Health budget function ($383.4 billion) which includes Medicaid, or more than 94.7 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 2014 Net Cost represents an increase of $55.7 billion or 6.2 percent more than the FY 2013 Net Cost of Operations. Approximately 87.9 percent of the Net Cost of Operations ($837.2 billion) relates to Medicare, Medicaid, CHIP, and other health programs managed by CMS. Further information on the net cost of operations is available in the FY 2014 Agency Financial Report.

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

Segments	2010	2011	2012	2013	2014	$ Change (2013-14)	% Change (2013-14)
Responsibility Segments:							
CMS Gross Cost	$789.7	$817.4	$802.3	$848.9	$910.5	$61.6	7.3
CMS Exchange Revenue	(60.7)	(63.7)	(65.1)	(69.7)	(73.3)	(3.6)	5.2
CMS Net Cost of Operations	**$729.0**	**$753.7**	**$737.2**	**$779.2**	**$837.2**	**$58.0**	**7.4**
Other Segments:							
Other Segments Gross Cost	$130.9	$128.2	$121.5	$121.0	$120.5	$(0.5)	(0.4)
Other Segments Exchange Revenue	(3.2)	(3.8)	(3.2)	(3.9)	(5.7)	(1.8)	46.2
Other Segments Net Cost of Operations	$127.7	$124.4	$118.3	$117.1	$114.8	$ (2.3)	(2.0)
Net Cost of Operations	**$856.7**	**$878.1**	**$855.5**	**$896.3**	**$952.0**	**$55.7**	**6.2**

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, Operating, and Overseeing the Health Insurance Marketplaces
- Ensuring Appropriate Use of Prescription Drugs in Medicare and Medicaid
- Protecting an Expanding Medicaid Program from Fraud, Waste, and Abuse
- Fighting Waste and Fraud and Promoting Value in Medicare Parts A and B
- Ensuring Quality Nursing Home, Hospice, and Home- and Community-Based Care
- The Meaningful and Secure Exchange and Use of Electronic Health Information
- Effectively Operating Public Health and Human Services Programs to Best Serve Program Beneficiaries
- Ensuring Effective Financial and Administrative Management
- 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 2014 Agency Financial Report which can be accessed here. In addition, the Government Accountability Office (GAO) has placed four HHS programs on its most recent "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:

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