

**SECTION IV:**

**FINANCIAL STATEMENTS, NOTES,  
SUPPLEMENTAL AND OTHER  
ACCOMPANYING INFORMATION**



## **Principal Financial Statements and Notes:**

**Consolidated Balance Sheet**

**Consolidated Statement of Net Cost**

**Consolidated Statement of Changes in Net Position**

**Combined Statement of Financing**

**Combined Statement of Budgetary Resources**

**Notes to the Financial Statements**

**U.S. Department of Health and Human Services**  
**CONSOLIDATED BALANCE SHEET**  
**September 30, 1999**  
**(in millions)**

	<b>Consolidated Totals</b>
<i>Assets</i>	
Entity Assets:	
Intragovernmental	
Fund Balance with Treasury (Note 2)	\$ 73,160
Investments, Net (Note 3)	184,764
Accounts Receivable, Net (Note 4)	6,623
Other (Note 10)	<u>84</u>
Total Intragovernmental	264,631
Accounts Receivable, Net (Note 4)	4,338
Loans Receivable, Net (Note 5)	401
Advances with the Public (Note 6)	205
Cash and Other Monetary Assets (Note 7)	56
Inventory and Related Property, Net (Note 8)	75
General Property, Plant & Equipment, Net (Note 9)	<u>1,822</u>
Total Entity	<u>271,528</u>
Non-Entity Assets:	
Intragovernmental	
Fund Balance with Treasury (Note 2)	44
Accounts Receivable, Net (Note 4)	<u>2</u>
Total Intragovernmental	46
Accounts Receivable, Net (Note 4)	<u>60</u>
Total Non-Entity	<u>106</u>
<b>Total Assets</b>	<b><u><u>\$ 271,634</u></u></b>

**U.S. Department of Health and Human Services**  
**CONSOLIDATED BALANCE SHEET**  
**September 30, 1999**  
**(in millions)**

	<b>Consolidated Totals</b>
<b><i>Liabilities</i></b>	
Liabilities Covered by Budgetary Resources	
Intragovernmental	
Accounts Payable	\$ 25
Employment Tax Revenue Adjustment (Note 11)	2,867
Environmental and Disposal Costs (Note 14)	1
Other (Note 17)	<u>476</u>
Total Intragovernmental	3,369
Accounts Payable	522
Entitlement Benefits Payable (Note 12)	35,302
Accrued Grants (Note 13)	1,518
Loan Guarantees (Note 15)	333
Other (Note 17)	<u>969</u>
Total Liabilities Covered by Budgetary Resources	<u>42,013</u>
Liabilities Not Covered by Budgetary Resources	
Intragovernmental	
Environmental and Disposal Costs (Note 14)	2
Other (Note 17)	<u>19</u>
Total Intragovernmental	21
Environmental and Disposal Costs (Note 14)	12
Federal Employee & Veterans Benefits (Note 16)	4,940
Other (Note 17)	<u>421</u>
Total Liabilities Not Covered by Budgetary Resources	<u>5,394</u>
<i>Total Liabilities</i>	<u>47,407</u>
<b><i>Net Position</i></b>	
Unexpended Appropriations (Note 18)	60,962
Cumulative Results of Operations (Note 18)	<u>163,265</u>
<i>Total Net Position</i>	<u>224,227</u>
<b><i>Total Liabilities &amp; Net Position</i></b>	<b><u>\$ 271,634</u></b>

The accompanying notes are an integral part of these statements. In addition, more detailed information can be found in the following supplemental schedules:  
 "Consolidating Balance Sheet by Budget Function" and "Consolidating Balance Sheet by OPDIV"

**U.S. Department of Health and Human Services  
 CONSOLIDATED STATEMENT OF NET COST  
 For the year ended September 30, 1999  
 (in millions)**

	<b>Combined Totals</b>	<b>Intra-HHS Costs (-)</b>	<b>Eliminations Revenues (+)</b>	<b>Consolidated Totals</b>
<b>Operating Division</b>				
ACF	\$ 35,644	\$ (47)	\$ 17	\$ 35,614
AoA	924	(1)		923
AHCPR	100	(6)	80	174
CDC	2,531	(42)	80	2,569
FDA	1,008	(49)	16	975
HCFA	363,898	(69,892)	-	294,006
HRSA	4,114	(72)	27	4,069
IHS	2,192	(50)	37	2,179
NIH	14,602	(1,182)	1,014	14,434
OS	408	(39)	121	490
PSC	570	(24)	171	717
SAMHSA	<u>2,290</u>	<u>(17)</u>	<u>12</u>	<u>2,285</u>
 Net Cost of Operations	 <u>\$ 428,281</u>	 <u>\$ (71,421)</u>	 <u>\$ 1,575</u>	 <u>\$ 358,435</u>

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The accompanying notes are an integral part of these statements. In addition, detailed information on individual operating divisions (OPDIVs) can be found in the following supplemental schedules: "Consolidating Statement of Net Cost by Budget Function" and "Public and Intragovernmental Net Costs."

**U.S. Department of Health and Human Services**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
**For the year ended September 30, 1999**  
**(in millions)**

	<b>Consolidated Totals</b>
Net Cost of Operations	\$ 358,435
Financing Sources (other than exchange revenues):	-
Appropriations Used	243,641
Taxes (and other non-exchange revenue)	143,868
Donations (non-exchange revenue)	211
Imputed Financing	281
Transfers-in	1,819
Transfers-out	(1,818)
Other Financing Sources	<u>715</u>
Net Results of Operations	30,282
Prior Period Adjustments (Note 21)	<u>(1,491)</u>
Net Change in Cumulative Results of Operations	28,791
Increase (Decrease) in Unexpended Appropriations	<u>7,249</u>
Change in Net Position	36,040
Net Position-Beginning of Period	<u>188,187</u>
Net Position-End of Period	<u><u>\$ 224,227</u></u>

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The accompanying notes are an integral part of these statements.

**U.S. Department of Health and Human Services  
 COMBINED STATEMENT OF FINANCING  
 For the year ended September 30, 1999  
 (in millions)**

***Resources Used to Finance Activities:***

**BUDGETARY:**

Budgetary resources obligated for orders and delivery of goods and services to be received or benefits received or benefits to be provided to others	\$470,749
Less: Offsetting collections, recoveries of prior-year authority, and changes in unfilled customer orders	<u>(9,660)</u>
Net Budgetary resources used to finance activities	<u>461,089</u>

**NON-BUDGETARY:**

Property received from others without reimbursement	2,090
Property given to others without reimbursement	(1,818)
Cost incurred by others for the entity without reimbursements	305
Other non-budgetary resources	<u>7</u>
Net non-budgetary resources used to finance activities	<u>584</u>

**TOTAL RESOURCES USED TO FINANCE ACTIVITIES** **\$461,673**

***Relationship of Total Resources to the Net Cost of Operations:***

Deduct Resources Used to Fund Items Not Part of the Net Cost of Operations:

Increase or (decrease) in budgetary resources obligated to order goods and services not yet received or benefits not yet provided	\$ 9,026
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Budgetary offsetting collections that do not increase exchange revenue or decrease expenses:

Decrease or (increase) in revenue collected in advance	(30)
Credit program collections that increase liabilities for loan guarantees or allowances of subsidy	(73)

Adjustments other than collections made to compute net budgetary resources that do not affect cost of operations:

Recoveries of prior-year authority	(951)
Decrease or (increase) in unfilled customer orders	98
Other	3

Resources that fund expenses recognized in prior period 39,598

Resources that finance the acquisition of assets or liquidations of liabilities 276

Other resources used to fund items not part of the net cost of operations (552)

Total resources used to fund items not part of the net cost of operations \$ 47,395

**RESOURCES USED TO FINANCE NET COST OF OPERATIONS** **\$414,278**

***Components of Net Cost of Operations That Do Not Require or Generate Resources During the Reporting Period:***

Expenses or Exchange Revenue Related to the Disposition of Assets or Liabilities,

or Allocations of Tier Costs over Time:

Expenses related to use of assets	\$ (602)
Losses or (gains) from revaluation of assets and liabilities	77
Decrease or (increase) in exchange revenue receivable from the public	102
Other	<u>(21,534)</u>
Subtotal	(21,957)

Expenses That Will Be Financed with Budgetary Resources Recognized in Future Periods:

Annual leave from increase in annual leave liability	8
Other	<u>35,959</u>
Subtotal	35,967

Other net cost components that do not require or generate resources during the reporting period (7)

Total Components of Net Cost of Operations That Do Not Require or Generate Resources During The Reporting Period \$ 14,003

***Net Cost of Operations*** **\$428,281**

The accompanying notes are an integral part of these statements. For FY 1999, this statement is presented on a combined basis and agrees with the combined totals shown in the Consolidating Statement of Net Cost by Budget Function.

**U.S. Department of Health and Human Services**  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
**For the year ended September 30, 1999**  
**(in millions)**

	<b>Combined Total</b>
<b>Budgetary Resources:</b>	
Budget Authority	484,689
Unobligated Balances - Beginning of Period	176,537
Spending Authority From Offsetting Collections	4,938
Adjustments	<u>(182,521)</u>
Total Budgetary Resources	<u><u>483,643</u></u>
 <b>Status of Budgetary Resources:</b>	
Obligation Incurred	470,749
Unobligated Balances - Available	5,591
Unobligated Balances - Not Available	<u>7,303</u>
Total Status of Budgetary Resources	<u><u>483,643</u></u>
 <b>Outlays:</b>	
Obligations Incurred	470,749
Less: Spending Authority from Offsetting Collections and Adjustments	<u>(9,797)</u>
Subtotal	460,952
Obligated Balance, Net - Beginning	47,515
Obligated Balance Transferred, Net	(110)
Less: Obligated Balance, Net - End of Period	<u>(56,594)</u>
Total Outlays	<u><u>451,763</u></u>

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The accompanying notes are an integral part of these statements.

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 1999**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Department of Health and Human Services consists of thirteen Operating Divisions (OPDIVs) which have diverse missions and programs. There are twelve financial reporting entities:

1. Administration for Children and Families (ACF)
2. Centers for Disease Control (CDC)/Agency for Toxic Substances and Disease Registry (ATSDR)
3. Food and Drug Administration (FDA)
4. Health Care Financing Administration (HCFA)
5. Health Resources and Services Administration (HRSA)
6. Indian Health Service (IHS)
7. National Institutes of Health (NIH)
8. Program Support Center (PSC)
9. Substance Abuse and Mental Health Services Administration (SAMHSA)
10. Administration on Aging (AoA)
11. Agency for Health Care Policy and Research (AHCPR)
12. Office of the Secretary (OS)

The Agency for Toxic Substances and Disease Registry is combined with the Centers for Disease Control for financial reporting purposes. In FY 1999, the first nine OPDIVs listed above received full scope audits, while the last three were reviewed as part of the Departmental consolidated audit. Each OPDIV is considered a responsibility segment for purposes of preparing the HHS-wide Statement of Net Cost.

**Basis of Presentation**

The financial statements have been prepared to report the financial position and results of operations of HHS as required by the Chief Financial Officers Act of 1990, and amended by the Government Management Reform Act of 1994. They have been prepared from Departmental records in accordance with the form and content guidance of OMB Bulletin 97-01, and generally accepted accounting principles. These statements are therefore different from financial reports prepared pursuant to other OMB directives that are primarily used to monitor and control HHS's use of budgetary resources.

The financial statements consolidate the balances of about one hundred and forty discrete appropriations and fund accounts, and a number of accounts used for suspense, collection of receipts and general governmental functions. Material intra-HHS balances have been eliminated in the consolidation of the account balances from the financial statements of HHS's twelve OPDIVs; each issued under separate cover. Intra-entity eliminations are presented on the Consolidating Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. The effects of intra-entity transactions are not eliminated in the presentation of the other principal statements. These other statements are labeled as combined/combining statements rather than consolidated/consolidating statements. Supplemental information is accumulated from the OPDIV reports, regulatory reports and other sources within HHS. Information is generally presented

herein on a summary level, hence greater detail on OPDIV programs and activities is found in the annual reports prepared by the OPDIVs.

### **Basis of Accounting**

For most HHS programs, transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

The cash basis is used by HCFA for Medicare benefit payments and Medicaid Program draws by States to cover current quarter expenses, and a number of other OPDIV programs. For these programs, an accrual method adjustment is made by recording year-end estimates of unpaid liabilities.

### **Entity and Non-Entity Assets**

Entity assets are those assets which the reporting entity holds and has the authority to use in its operations. Non-entity assets are assets the entity holds but does not have the authority to use. An example of non-entity assets is income tax receivables, which the IRS collects for the U.S. Government but does not have authority to spend.

### **Fund Balance with Treasury**

The Department maintains all cash accounts with the U.S. Treasury. The account, "Fund Balance with Treasury," represents appropriated, revolving, trust, and other funds available to pay current liabilities. The U.S. Treasury processes cash receipts and disbursements for HHS.

### **Investments**

Trust fund balances in excess of current needs are invested in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States.

### **Accounts Receivable**

Accounts receivable consists of amounts owed to the Department by other Federal agencies and the public. Amounts due from the public are presented net of an allowance for loss on uncollectable accounts. The allowance for loss is based on past collection experience and/or an analysis of the outstanding balances. Accounts receivable also includes interest due to the Department other than interest on direct loans and loan guarantees. HHS non-entity receivable balances represent amounts that cannot be used by HHS once collected. Such receipts are transferred to the General Fund of the Department of the Treasury.

### **Loans Receivable**

Loans are accounted for as receivables after funds are disbursed. In accordance with credit reform legislation, for loans obligated prior to October 1, 1991, loan principal, interest, and other cost are reduced by an allowance for loss based on historical data and current market factors. For loans obligated on or after October 1, 1991, the amount of gross loans receivable is reduced by an allowance equal to the present value of the subsidy costs associated with these loans. Loans receivable also includes interest due to the Department for direct loans and defaulted loan guarantees.

### **Advances and Prepayments**

Advances are cash outlays made by the Department to its grantees, employees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the costs of goods and services the Department receives. Prepayments are payments made to cover certain periodic expenses before they are incurred. Progress payments on work in process are not included in advances and prepayments. Advances to the public, primarily grant advances, are reported in Note 6, "Advances to the Public." Advances to other Federal agencies are reported in Note 10, "Other Assets."

### **Inventory and Related Property**

Inventory and Related Property includes: Inventories Held for Sale; Operating Materials and Supplies, and Stockpile Materials. Inventories Held for Sale (Inventories) consists of small equipment and supplies held by the various OPDIV Service and Supply Funds for sale to HHS components and other Federal entities. Operating Materials and Supplies (OMS) consist of pharmaceuticals, biological products, vaccines, and other medical supplies, which are used, in providing medical services and conducting medical research in the various OPDIVs. Both Inventories and OMS are recorded as assets when purchased, and expensed when they are consumed or sold. Generally, these inventories are recorded at (1) historical cost (or a method which reasonably approximates historical cost), or (2) the lower of cost (using weighted-average cost method) or market. Stockpile materials represent supplies of biological materials and vaccines held for use in case of a national emergency.

### **General Property, Plant and Equipment**

The basis for recording purchased General Property, Plant and Equipment (PP&E) is full cost, including all costs incurred to bring the PP&E to a form and location suitable for its intended use. The cost of PP&E acquired under a capital lease is the amount recognized as a liability for the capital lease at its inception. The cost of PP&E acquired through donation is the estimated fair value when acquired. The cost of PP&E transferred from other Federal entities is the net book value of the transferring entity. All PP&E with an initial acquisition cost of \$25,000 or more and an estimated useful life of two (2) years or greater are capitalized. PP&E are depreciated on a straight-line basis over the estimated useful life of the item. Land and land rights, including permanent improvements, are not depreciated. Normal maintenance and repair costs are expensed as incurred.

### **Liabilities**

Liabilities are recognized for amounts of probable future outflows or other sacrifices of resources as a result of past transactions or events. Since HHS is a component of the U.S. Government, a sovereign entity, its liabilities cannot be liquidated without legislation that provides resources to do so. Payments of all liabilities other than contracts can be abrogated by the sovereign entity. In accordance with Public Law and existing Federal accounting standards, no liability is recorded for any future payment to be made on behalf of current workers contributing to the Medicare Hospital Insurance (HI) Trust Fund.

*Liabilities Covered by Budgetary Resources* are those liabilities funded by available budgetary resources including: (1) new budget authority, (2) spending authority from offsetting collections, (3) recoveries of unexpired budget authority, (4) unobligated balances of budgetary resources at the beginning of the year, and (5) permanent indefinite appropriation or borrowing authority.

*Liabilities Not Covered by Budgetary Resources* are incurred when funding has not yet been made available through Congressional appropriations or current earnings. HHS recognizes such liabilities for

employee annual leave earned but not taken, and amounts billed by the Department of Labor for Federal Employee's Compensation Act (disability) payments. For HHS revolving funds, all liabilities are funded as they occur.

### **Accounts Payable**

Accounts Payable consists of amounts due for goods and services received, progress in contract performance, interest due on accounts payable, and other miscellaneous payables.

### **Entitlement Benefits Payable**

Entitlement Benefits Payable represents benefits due and payable to the public from entitlement programs enacted by law. In HHS, the largest entitlement programs, which comprise the bulk of HHS entitlement spending, are Medicare and Medicaid (HCFA).

### **Accrued Grants**

HHS grant programs are classified into two categories, block grants and non-block grants.

Block Grants: For most block grant programs, the OPDIVs record expenses as the grantees draw funds. Therefore the year-end accrual for block grants is equal to the amount of funds drawn that have not already been recorded as expenditures.

Non-Block Grants: For non-block programs, grantees draw funds (recorded as advances in OPDIV systems) commensurate with their immediate cash needs. When grantees pay bills they report this to HHS' Division of Payment Management (DPM), quarterly and DPM reports these grantee expenditures to the OPDIVs. The OPDIVs then record an expense and reduce the grantee advance balance accordingly.

In 1998, all OPDIVs except HCFA adopted a new process to estimate and accrue unreported grantee expenditures. Grantees report their expenses on a quarterly basis using the grantee expenditure report, SF 272. The new process divides unreported grantee expenditures into two components: 1) fourth quarter grantee expenditures incurred and expected to be reported on the September 30 SF 272, and 2) fourth quarter grantee expenditures incurred but not expected to be reported (IBNR) on the September 30 SF 272.

The estimate of the first component was based upon historical grantee data. Grantee advances have proven to be a reliable predictor of quarterly grantee expenditures. Based on this relationship a regression analysis, using historical grantee advance and expenditure data, was used to estimate fourth quarter grantee expenditures. The estimated Fourth quarter grantee expenditures were calculated by PMS, transmitted to the OPDIVs and are reported in the accompanying financial statements.

To estimate the second component, IBNR, HHS gathered information on spending patterns from four different groups of grantees to determine if they had unreported expenses at year-end and if so, in what amounts. As a result, HHS determined that grantees typically had year-end IBNR equal to approximately 2 weeks of annual expenditures. OMB has agreed that this accrual methodology appears reasonable. This two-week accrual of grantee IBNR expenses is reported in the accompanying financial statements.

### **Federal Employee and Veterans' Benefits**

Federal Employee and Veterans' Benefits consist of the actuarial portions of future benefits earned by Federal employees and Veterans, but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits. These benefits programs are normally administered by OPM and not by the Department of Health and Human Services, or any of the individual operating divisions of the Department. Therefore, HHS does not recognize any liability on the Balance Sheet for pensions, other retirement benefits, and other post-employment benefits. HHS does, however, recognize the imputed cost and imputed financing related to these benefits in the Statement of Net Cost and the Statement of Changes in Net Position, respectively.

The lone exception to this policy is the Public Health Service (PHS) Commissioned Corps Retirement System. The HHS-administered PHS Commissioned Corps Retirement System is discussed in Note 16, "Federal Employee and Veterans' Benefits."

Pensions: Pensions provide benefits upon retirement and may also provide benefits for death, disability, or other termination of employment before retirement. Pension plans may also include benefits to survivors and dependents, and they may contain early retirement or other special features. Most HHS employees participate in the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). Under CSRS, HHS makes matching contributions equal to 8.51 percent of basic pay. For FERS employees, HHS contributes the employer's matching share for Social Security and contributes an amount equal to 1 percent of employee pay to a savings plan and matches up to an additional 4 percent of pay. Most employees hired after December 31, 1983 are covered by FERS. The Office of Personnel Management reports on CSRS and FERS assets, accumulated plan benefits, unfunded liabilities, if any, applicable to Federal employees.

Other Retirement Benefits (ORB): Retirement benefits other than pensions are all forms of benefits to retirees or their beneficiaries provided outside the pension plan. Examples include health and life insurance. Retirement health care benefits are the primary ORB expense.

Other Post-employment Benefits (OPEB): Post-employment benefits other than pensions include all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. Inactive employees are those who are not currently rendering services to their employers and who have not been terminated, but who are not eligible for an immediate annuity, including those temporarily laid off or disabled. OPEB includes salary continuation, severance benefits, counseling and training, continuation of health care or other benefits, and unemployment and workers' compensation benefits paid by the employer entity.

### **Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken. Any liability for sick leave that is accrued but not taken by a CSRS-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of FERS-covered employees.

### **Obligations Related to Canceled Appropriations**

Payments may be required of up to 1 percent of current year appropriations for valid obligations incurred against prior year appropriations that have been canceled. The total potential payments related to canceled appropriations is estimated to be \$648 million as of September 30, 1999.

### **Revenues and Other Financing Sources**

Funding for the Department/OPDIV is classified as revenue or other financing sources. Revenue is an inflow of resources that the Government demands, earns, or receives by donation. Revenue comes from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when a Government entity provides goods and services to the public or to another Government entity for a price. Another term for “exchange revenue” is “earned revenue.” Nonexchange revenues arise primarily from exercise of the Government’s power to demand payments from the public (e.g., taxes, duties, fines, and penalties) but also include donations. Other Financing Sources include appropriations used, transfers of assets from other Government entities, and imputed financing.

Other Financing Sources: Congressional appropriations are the primary funding source for most of the Department’s programs. For financial statement purposes, appropriations used are recognized as a financing source as expenses are incurred.

Imputed financing is an “other financing source” which reflects cost incurred by one Federal entity which is paid for by another Federal entity. These are also known as inter-entity costs. For financial statements covering fiscal years 1998 and 1999, OMB is limiting the inter-entity costs to be recognized by Federal agencies to the following: (1) employee’s pension benefits, (2) the health, life insurance, and other benefits for retired employees, (3) other post-employment benefits for retired, terminated, and inactive employees, which include severance payments, training and counseling, continued health care, and unemployment and worker’s compensation under the Federal Employees’ Compensation Act, and (4) losses in litigation proceedings (FASAB Interpretation No. 2, Accounting for Treasury Judgement Fund transactions).<sup>1</sup>

Financing for the Public Health Service (PHS) Commissioned Corps Retirement System is provided through annual appropriations. The estimate for PHS Commissioned Corps employees is an intra-HHS elimination because the PSC recognizes the liability for their retirement plan.

Nonexchange Revenue: Nonexchange revenues include income taxes, excise taxes, duties, fines, penalties, and other inflows of resources arising from the Government’s power to demand payments, as well as voluntary donations. Nonexchange revenue is recognized when a reporting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets. It is recognized to the extent that the collection is probable and the amount is measurable.

Medicare’s Hospital Insurance program, also known as HI or Medicare Part A, is financed through the HI Trust fund, whose revenues come primarily through Medicare’s portion of payroll and self-employment taxes collected under the Federal Insurance Contribution Act (FICA) and Self-Employment Contribution Act (SECA). The Medicare payroll tax rate was 2.9 percent of annual wages-employees and employers were each required to contribute 1.45 percent of employees’ wages, with no limitation, to the HI Trust Fund. Self-employed individuals paid the full 2.9 percent themselves.

<sup>1</sup> Memorandum from G. Edward DeSeve, Controller, OMB, dated April 6, 1998, entitled “*Technical Guidance for the Implementation of Managerial Cost Accounting Standards for the Federal Government.*”

Medicare's Supplemental Medical Insurance program, also known as SMI or Medicare Part B, is financed primarily by general fund appropriations (Payments to the Health Care Trust Funds) provided by Congress and by monthly premiums paid by beneficiaries. Premium payments from Medicare beneficiaries are matched approximately 3 to 1 by congressional appropriations. Interest revenue on investments is recognized as it is earned.

Exchange Revenue: Revolving funds recognize exchange revenue at the time goods or services are provided to the public or to another Government entity. Reimbursable service agreements between HHS activities and with other Federal agencies generally recognize these revenues when the related expenses are incurred. Various user fees are collected to offset the cost of providing services.

### **Contingencies**

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the Department/OPDIV. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely to occur, and the related future outflow or sacrifice of resources is measurable.

### **Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### **Intra-Governmental Relationships and Transactions**

In the course of its operations, HHS has relationships and financial transactions with numerous Federal agencies. The more prominent of these are with the Social Security Administration (SSA) and the Department of the Treasury. The SSA determines eligibility for Medicare programs, and also allocates a portion of Social Security benefit payments to the Medicare Part B Trust Fund for Social Security beneficiaries who elect to enroll in the Medicare Part B program. The Treasury receives the cumulative excess of Medicare receipts and other financing over outlays, and issues interest-bearing securities in exchange for the use of those monies. At the Government-wide level, the assets related to the trust funds on HHS' financial statements and the corresponding liabilities on the Treasury's financial statements should be eliminated.

### **Comparative Data**

OMB Bulletin 97-01, "Form and Content of Agency Financial Statements" provides that comparative financial statements are permitted but not required until reporting periods beginning after September 30, 1999 (FY 2000). Management has determined that, due to the implementation of new FASAB accounting standards and new financial statement formats and disclosures for FY 1999, it is not feasible nor prudent to attempt to restate FY 1998 amounts in the current statements. Therefore, comparative data will not be presented in the financial statements for FY 1999.

**Accounting Changes**

The following accounting changes were made in the 1999 financial statements:

On the Combined Statement of Budgetary Resources, adjustments are reported due to OMB's FY 1999 revision to Circular A-34, clarifying the reporting for "Adjustments" and "Unobligated balances – available" on the Statement of Budgetary Resources. The change required that "Adjustments" include the portion of receipts collected in the current fiscal year for trust funds that is precluded from obligation due to Public Law 101-508. In FY 1998, these receipts were reported as "Unobligated balances – available" (for obligation). In FY 1999, these receipts are reported as (negative) amounts on the "Adjustments" under HCFA's HI and SMI trust funds, and, additionally, HI and SMI must have no "Unobligated balances – available."

On the Consolidating Statement of Changes in Net Position, transfers made from HCFA's Payments to the Health Care Trust Funds to HI and SMI are reported as financing sources twice: (1) as "Appropriations Used" under HI and SMI and (2) as "Taxes and Other Non-Exchange Revenue (SMI)" and "Other Financing Sources" (HI). To avoid double reporting these financing sources, HCFA previously eliminated the "Appropriations Used" amounts. HCFA believes the proper elimination should be against the "Taxes and Other Non-Exchange Revenue" and "Other Financing Sources" line items, which will match the elimination of intragovernmental revenues with intragovernmental expenses within HCFA.

**Unless otherwise stated, amounts are presented in millions of dollars.**

**NOTE 2. FUND BALANCE WITH TREASURY**

HHS' undisbursed account balances are listed below by fund type. Other Funds include balances in deposit, suspense, clearing and related non-spending accounts.

	Entity	Non-Entity
	Assets	Assets
Trust Funds	4,082	18
Revolving Funds	731	1
Appropriated Funds	68,259	(2)
Other	88	27
<b>Total Fund Balance with Treasury</b>	<b>73,160</b>	<b>44</b>

**NOTE 3. INVESTMENTS, NET**

HHS invests trust fund cash that is in excess of current needs in U.S. Treasury Securities. The U.S. Treasury Department is HHS' agent and advisor for investing.

	Cost	Unamortized (Premium) Discount	Investments, Net
Non-Marketable: Par Value	180,307	-	180,307
Non-Marketable: Market-Based	1,434	20	1,454
Subtotal	181,741	20	181,761
Accrued Interest	3,003		3,003
<b>Total Investments, Net</b>	<b>184,744</b>	<b>20</b>	<b>184,764</b>

HCFA invests in U.S. Treasury Special Issues exclusive to HI and SMI Trust Funds that are purchased and redeemed at face value. Certificates are short-term and pay 6 1/4 percent. Bond interest rates range from 5 7/8 to 10 3/8 percent. Bonds mature at various dates from June 1999 to June 2014. The accrued interest receivable on investments totaled approximately \$3 billion as of September 30, 1999.

During FY 1999, a series of trust fund transactions related to investments in U.S. Treasury securities were posted incorrectly and not detected until FY 2000. These errors resulted in HI interest income being overstated by \$154 million and SMI trust fund income being understated by \$237 million. HCFA and HHS management are pursuing options to make each trust fund "whole" in FY 2000. HCFA has taken steps to prevent such errors in the future.

HRSA's Vaccine Injury Compensation Trust Fund invests in market-based (MK) special securities. Securities currently held are MK Bills and Notes maturing in fiscal years 1999, 2004, and 2008.

The NIH invests a portion of their trust fund cash in short-term U. S. Treasury Securities. The majority of HHS' investments in securities are held to maturity and no provision is made for unrealized gains and losses.

**NOTE 4. ACCOUNTS RECEIVABLE, NET**

HCFA recorded a \$6 billion anticipated Congressional appropriation to cover liabilities incurred as of September 30 by the Medicaid program and the Payments to the Health Care Trust Funds appropriation. HCFA recorded a \$5,735 million anticipated appropriation in FY 1999 for incurred but not reported claims that exceeded the available unexpended Medicaid appropriation. The Medicare SMI program is financed primarily by the general fund appropriation, Payments to the Health Care Trust Funds, and by monthly premiums paid by beneficiaries. The appropriated amount is an estimate calculated annually by HCFA's actuary and can be insufficient in any particular fiscal year. In FY 1999, the estimate was insufficient and the matching ceased prior to the close of the fiscal year. Subsequently, HCFA's actuary valued the unmatched amount as \$295 million and HCFA reported the \$295 million as revenues earned in FY 1999, although the actual transfer of funds will occur in FY 2000.

HCFA's Medicare receivables are primarily due to overpayments to providers, beneficiaries, physicians and suppliers. The Medicaid balance is the net realizable value of disallowances in dispute with the States.

HHS non-entity receivable balances represent amounts that cannot be used by HHS once collected. Such receipts are transferred to the General Fund of the Department of the Treasury.

The allowance for loss on accounts receivable is based upon analytical procedures on both individual and group basis. Individual analysis is based upon the debtor's ability to pay, the debtor's payment record and willingness to pay and the probable recovery of amounts from secondary sources, including liens garnishments, etc. To estimate allowance for loss by groups, HHS stratifies receivables into groups exhibiting similar characteristics. Estimated losses are then projected based upon statistical sampling or through historical loss experience. The allowance is periodically reviewed and adjustments are made as required.

Entity	Gross	Interest	Allowance	Combined Net	Intra-HHS Eliminations	Consolidated Net
Intragovernmental	7,075	-	(31)	7,044	(421)	6,623
From the Public						
Medicare	7,315	-	(3,092)	4,223	-	-
Medicaid	30	-	(7)	23	-	-
Other Public	104	-	(12)	92	-	-
Total, Public	7,449	-	(3,111)	4,338	-	4,338
<del>Non-Entity</del>						
Intragovernmental	6	4	(8)	2	-	2
From Public	245	-	(185)	60	-	60

During FY 1999, HCFA management directed an analysis of accounts receivable balances at Medicare contractors. The analysis revealed two major findings: 1) Many receivables were aged to such an extent that collectibility was extremely unlikely and recognition of those receivables materially overstated gross receivables. Also, 2) some receivables balances could not be verified with documentation or the debtor organization no longer exists. For the first group, which amounted to \$2.7 billion, HCFA has written off those gross receivables and the related allowance balances to zero. However, collection activities will continue, though recovery is extremely unlikely. For the second group, which amounted to \$.2 billion, the receivables balances were adjusted to zero, and no collection activities can be pursued.

#### NOTE 5. LOANS RECEIVABLE, NET

Loans receivable are included for the Health Education Assistance Loans (HEAL) guaranteed loan program which is administered by HRSA. The gross receivables amount for this program represents defaulted loans, which have been paid to lenders under the guarantee, and includes principal and interest.

	Principal	Interest	Gross	Allowance	Net
Pre-1992 loans	496	13	509	(136)	373
Post-1991 loans	38	1	39	(11)	28
Total Loans Receivable, Net	534	14	548	(147)	401

**NOTE 6. ADVANCES WITH THE PUBLIC**

Advances with the Public includes advances to grantees in excess of their grant-related expenses, payments to HHS employees for travel and emergency salary advances, and advances to Non-Federal agencies for goods and services to be provided to HHS.

Grant Advances	67
Travel Advances and Emergency	
Employee Payments	84
Other	<u>54</u>
Total Advances With the Public	<u>205</u>

“Advances with the Public” does not include advances to Federal agencies for goods and services to be provided—these advances are reported as “Advances to Other Federal Entities” in Note 10, “Other Assets.”

**NOTE 7. CASH AND OTHER MONETARY ASSETS**

Restricted cash is the total amount of time account balances at the Medicare contractors’ commercial banks. The Checks Paid Letter-of-Credit method is used for reimbursing Medicare contractors for the payment of covered Medicare services. Medicare contractors issue checks against a Medicare benefits account maintained at commercial banks. In order to compensate commercial banks for handling the Medicare Benefits accounts, Medicare funds are deposited into non-interest-bearing time accounts. The earnings allowances on the time accounts are used to reimburse the commercial banks.

**NOTE 8. INVENTORY AND RELATED PROPERTY, NET**

HHS inventories are valued at historical cost. Inventory items are classified into appropriate categories, when received, based upon U.S. Standard General Ledger definitions derived from Statement of Federal Financial Accounting Standard (SFFAS) No. 3, Accounting for Inventory and Related Property.

HHS inventories are comprised of inventory held for sale, operating materials and supplies used in general operations and stockpile materials. CDC is mandated by law to maintain a vaccine stockpile to meet unanticipated needs for the vaccines, and for national emergencies. Vaccine stockpiles are maintained by the vaccine manufacturers and consist of several types of vaccines. CDC may only sell these vaccines to state, local, or territorial health departments.

Operating Materials and Supplies reserved for future use	25
Excess, obsolete, and unserviceable operating material and supplies	<u>(4)</u>
Total, operating materials and supplies	21
Inventory held for current sale	36
Stockpile material held for emergency or contingency	<u>18</u>
Total Inventory and Related Property, Net	<u>75</u>

**NOTE 9. GENERAL PROPERTY PLANT AND EQUIPMENT, NET**

Balances for the major categories of HHS Property, Plant and Equipment are listed below:

	Depreciation Method	Est. Useful Lives	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights	N/A	N/A	47	-	47
Construction In Progress	N/A	N/A	321	-	321
Buildings, Facilities and Other Structures	Straight Line	3-10 yrs	2,065	(953)	1,112
Assets Under Capital Lease	Straight Line	Life of Lease	23	(2)	21
Leasehold Improvements	Straight Line	7-15 years or life of lease	1	-	1
Equipment	Straight Line	3-10 years	647	(327)	320
<b>Total General Property Plant and Equipment, Net</b>			<b>3,104</b>	<b>(1,282)</b>	<b>1,822</b>

See the supplemental disclosure *Deferred Maintenance* in the Required Supplementary Information section for information on deferred maintenance for General PP&E.

**NOTE 10. OTHER ASSETS**

Other Assets at September 30, 1999 is comprised of the following:

Other Assets	
Advances to Other Federal Entities	152
Other	<u>78</u>
Total Combined Other Assets	230
Less: Intra-HHS eliminations	<u>(146)</u>
Total Consolidated Other Assets	<u>84</u>

**NOTE 11. EMPLOYMENT TAX REVENUE ADJUSTMENT**

For periods after December 31, 1993, employees and employers are each required to contribute 1.45 percent of employees' wages, and self-employed persons are required to contribute 2.90 percent of net income, with no limitation, to the HI Trust Fund. The Social Security Act requires the transfer of these contributions from the General Fund of Treasury to the HI Trust Fund based on the amount of wages certified by the Commissioner of Social Security from SSA records of wages established and maintained by SSA in accordance with wage information reports. The SSA uses the wage totals reported annually by employers via the quarterly Internal Revenue Service Form 941 as the basis for conducting quarterly certification of regular wages.

**NOTE 12. ENTITLEMENT BENEFITS PAYABLE**

Entitlement Benefits Payable represents benefits due and payable to the public from entitlement programs enacted by law. In HHS, the largest entitlement programs, which comprise the bulk of HHS entitlement spending, are Medicare and Medicaid (HCFA).

Medicare	23,676
Medicaid	—11,626
<b>Total Entitlement Benefits Payable</b>	<b>35,302</b>

**NOTE 13. ACCRUED GRANTS**

For non-block grants, OPDIVs record the initial draw down of funds from grant awards as an Advance with the Public. When grantees submit their quarterly expense reports (SF 272), OPDIVs reduce the advance and increase expense for the amounts reported by the grantee. At fiscal year end, OPDIVs book an accrual for IBNR grant expenses. If grant advances outstanding at year-end exceed the accrual for IBNR, then the OPDIV reports an asset for net grant advances. Otherwise, the OPDIV reports a liability called Accrued Grants for the excess of IBNR over outstanding grant advances. However, operating on a cash basis of accounting, the accrual is calculated to equal the grant liability.

At the department level, the asset and liability balances for the individual OPDIVs are separately combined and reported as separate line-items on the HHS-wide Balance Sheet. Netting OPDIV grant advance balances with OPDIV accrued grant liability balances would result in a net liability for HHS of almost 1.5 billion dollars, as follows:

Grant Advances, Net	67
Accrued Grants	—1,518
<b>Total Net of Grant Liabilities and Advances</b>	<b>(1,451)</b>

**NOTE 14. ENVIRONMENTAL and DISPOSAL COSTS**

Environmental and Disposal Costs Cleanup costs are the costs of removing, containing, and or disposing of (1) hazardous waste from property, or (2) material and or property that consists of hazardous waste at a permanent or temporary closure or shutdown of associated PP&E. In accordance with SFFAS # 5 Accounting for Liabilities of the Federal Government and SFFAS #6 Property Plant and Equipment, HHS has recognized a liability for cleanup of \$15 million. The following table presents HHS OPDIV cleanup costs; the total estimated cleanup cost is the liability recognized:

OPDIV	Method for Assigning Cost	Liability recognized for cleanup costs
NIH	Estimated cost of similar remediation	9
FDA	Estimated cost of similar remediation	6
<b>Total Environmental Disposal Cost</b>		<b>15</b>

**NOTE 15. LIABILITY FOR DEFAULTED LOAN GUARANTEES**

HHS' loan guarantees are with HRSA's Health Education Assistance Loan (HEAL) program. The liability for loan guarantees is equal to the amount of defaulted guaranteed loans.

	Defaulted Loan Guarantees
Pre-1992 guarantees	38
Post-1991 guarantees	295
<b>Total Defaulted Loan Guarantees</b>	<b>333</b>

**NOTE 16. FEDERAL EMPLOYEE AND VETERANS' BENEFITS**

PHS Commissioned Corps Pension: HHS administers the PHS Commissioned Corps Retirement System for approximately 5,764 active duty officers and 4,077 retiree annuitants or survivors. Authorized by Public Law 78-410, it is a defined benefit plan and is non-contributory. The plan does not have accumulated assets, funding is provided entirely on a "pay as you go" basis by Congressional appropriations.

Administrative costs are not borne by the plan. The actuarial present value of accumulated plan benefits is \$4,802 million, of which 478 million is non-vested. The assumed interest rate is 6.50 percent. Economic assumptions are the same as those used by the Military Retirement System. Withdrawal and retirement rates are based on the historical trends of officers in the PHS retirement system. The actuarial liability was established based upon the Public Health Service's Report for Commissioned Corps Retirement System for Plan Year Ending September 30, 1999.

Future Workers' Compensation Benefits: The actuarial liability for future workers' compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approval compensation cases. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payment related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting in 1999 was 5.69 percent in year 1 and thereafter.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) are applied to the calculation of projected future benefits. These factors are also used to adjust the methodology's historical payments to current year dollars. The methodology also includes a discounting formula to recognize the timing of compensation payments per year instead of one lump sum per year. The projected number of years of benefit payments is 37 years.

Both the PHS Commissioned Corps Pension and Future Workers' Compensation Benefits are liabilities not covered by budgetary resources.

PHS Commissioned Corps Pension	4,802
Future Workers' Compensation Benefits	138
<b>Total Federal Employee and Veterans' Benefits</b>	<b>4,940</b>

**NOTE 17. OTHER LIABILITIES**

The Vaccine Injury Compensation Program (VICP), administered by HRSA, provides compensation for vaccine-related injury or death. The liability of \$404 million represents the estimated future payment value of injury claims outstanding for VICP as of September 30, 1999. Other liability categories are described in Note 1, Significant Accounting Policies.

	Liabilities Covered		Liabilities Not Covered	
	by Budgetary Resources		by Budgetary Resources	
	Intra-governmental	With the Public	Intra-governmental	With the Public
Vaccine Injury Compensation Program		404		
Advances from Other Federal Agencies	81			
Accrued Payroll and Benefits	21	290		
Accrued Worker Compensation		1		
Accrued Leave Liability		7		345
Deferred Revenue	125	211		30
Custodial Liabilities	(12)	1		1
Liability for Deposits Funds		11	(2)	33
Capital Lease Liabilities		6	21	
Other Liabilities	261	38		12
<b>Total Other Liabilities</b>	<b>476</b>	<b>969</b>	<b>19</b>	<b>421</b>

**NOTE 18. NET POSITION**

Net position is the difference between assets and liabilities. The section contains two line items: Unexpended Appropriations, including unobligated appropriations and undelivered orders, and Cumulative Results of Operations. Unobligated appropriations are either available for obligation or not available (permanently or temporarily) pursuant to a specific provision in law. Undelivered orders represents appropriations obligated (i.e., legally reserved) for the amount of goods or services ordered but not yet received. Cumulative results of operations represents the net difference between (1) expenses and losses and (2) financing sources, including appropriated capital used, and revenues and gains since the inception of the activity.

Unexpended Appropriations:	
Unobligated	
Available	\$ 2,863
Unavailable	9,290
Undelivered Orders	<u>48,809</u>
Total Unexpended Appropriations	60,962
Cumulative Results of Operations	<u>163,265</u>
Total Net Position	\$ <u>224,227</u>

**NOTE 19. LEASES**

Capital Leases: HHS and its components have entered into various capital leases with Indian Tribes and the General Services Administration (GSA) for office and warehouse space. Lease terms vary from one to twenty years. Capitalized assets acquired under capital lease agreements and their related liability are reported at the present value of minimum lease payments.

Operating Leases: HHS and its components also have commitments under various operating leases with private entities and GSA for office, laboratory space, and land. Leases with private entities have initial or remaining noncancelable lease terms from one to twenty years. GSA leases in general are cancelable within 120 days notice.

Future minimum lease payments due for capital and operating leases are as follows:  
(Note: Lease payments are reported in THOUSANDS.)

Period	Capital	Operating	Total
Year 1	2,538	75,336	77,874
Year 2	2,538	77,113	79,651
Year 3	2,538	75,675	78,213
Year 4	2,538	75,198	77,736
Year 5	2,538	65,670	68,208
After 5 years	<u>43,263</u>	<u>340,499</u>	<u>383,762</u>
Total Lease Payments	55,953	709,491	765,444

**NOTE 20. GROSS COST AND EARNED REVENUE BY BUDGET FUNCTIONAL CLASSIFICATION**

Costs incurred by budget function are presented below with the respective earned revenue to derive Net Cost by Budget Function.

	Education, Training and Social Services	Health	Medicare	Income Security	Admin of Justice	Natural Resources and Env.	Combined
Intragovernmental Costs		1,420	70,782			15	72,217
With the Public	<u>13,172</u>	<u>137,951</u>	<u>205,129</u>	<u>23,304</u>	<u>179</u>	<u>60</u>	<u>379,795</u>
Gross Cost	13,172	139,371	275,911	23,304	179	75	452,012
Less: Earned Revenue	<u>(17)</u>	<u>(2,142)</u>	<u>(21,564)</u>		<u>(8)</u>		<u>(23,731)</u>
Total Net Cost	<u>13,155</u>	<u>137,229</u>	<u>254,347</u>	<u>23,304</u>	<u>171</u>	<u>75</u>	<u>428,281</u>

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## NOTE 21. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are included in the calculation of the net change in cumulative results of operations to correct errors and accounting changes with retroactive effect. The majority of the prior period adjustments noted in the table below result from some of the HHS FY 1998 OPDIV audits not being complete as of the date the FY 1998 HHS-wide Accountability report was published. This “timing difference” caused some of the OPDIV net position ending balances to differ from the ending balances reported in the HHS-wide statements. These prior period adjustments reconcile these differences.

Correction of Errors	(1,349)
Change in Accounting Principles	<u>(142)</u>
Total Prior Period Adjustments	<u>(1,491)</u>

## NOTE 22. CUSTODIAL ACTIVITY

ACF receives monies from the Internal Revenue Service for outlay to the states for child support. These monies represent delinquent child support payments withheld from internal revenue tax refunds. During FY 1999, receipts amounts to \$1,325 million and outlays amounted to \$1,328 million. At September 30, 1999, ACF held \$3 million in its Fund Balance with Treasury accounts relating to these funds.

## NOTE 23. MEDICARE BENEFIT PAYMENTS

### Medicare Claims Estimated Improper Payments

Federal government audits require the review of programs for compliance with Federal laws and regulations. Accordingly, the OIG reviewed a statistically valid sample of Medicare claims to determine that claims were paid properly by Medicare contractors, and that services were actually performed and were medically necessary. Medicare, like other insurers, makes payments based on a standard claims form. The internal claims process involves reviewing claims as billed and paying the correct amount for the services rendered. The claims submitted for payment to Medicare contractors contained no visible errors. However, when the medical review asked for documentation from providers to support their claims, there was a 7.97 percent error rate with a dollar value in the range of \$9.1-17.9 billion (\$13.5 billion midpoint). This is a slight increase from 1998 error rate of 7.1 percent with a dollar value in the range of \$7.8 – 17.4 billion (\$12.6 billion midpoint). While this year’s estimate is bigger than last year’s, the OIG could not conclude that the current error rate is substantially different. The majority of the errors fell into four broad categories: lack of medical necessity, incorrect coding, insufficient or no documentation and noncovered/unallowable services.

### Cost Report Settlement Process

The cost report settlement process represents the value of final outlays to providers based on fiscal intermediary audits, reviews and final settlements of Medicare cost reports. All institutional providers are required to file Medicare cost reports. For providers paid under the Prospective Payment System (PPS), the cost report includes costs that are not covered under PPS, such as disproportionate share, hospital payments, indirect medical education payments, and other indirect costs. For providers paid on a cost basis, the cost report represents the total costs incurred by the provider for medical services to patients and reflects the final distribution of these costs to the Medicare program.

In 1999, 34,791 cost reports totaling \$110.1 billion were reviewed. Approximately \$82 billion represented inpatient claims to PPS providers. The cost report settlements, therefore, focused on the remaining non-PPS balance of about \$28 billion.

1999 Cost Report Summary  
(\$ in millions)

	Desk Reviews and Others		Audits	Total
Providers	28,045		6,746	34,791
Costs Claimed	\$ 41,271	\$ 68,858		\$ 110,129
Disallowed	\$ 1,084	\$ 1,632		\$ 2,716

The \$2.7 billion disallowed represents 10 percent of this \$28 billion non-PPS balance. Based on the current disallowance rates, if the full-scope audits were expanded to include the entire universe, the total amount disallowed would range from \$2.7 billion to \$3.3 billion. Therefore, by limiting the amount of full-scope audits that were conducted, HCFA may have overpaid providers by as much as \$600 million.

HCFA routinely processes and settles cost reports for institutional providers. As part of this process some providers have filed suits challenging aspects of the cost report settlement process. We cannot reasonably estimate the probability of the providers successfully winning their suits nor the potential liability for the Department. However, in the opinion of management the resolution of these matters will not have a material impact on the results of operations and financial condition of HHS.

#### **NOTE 24. MEDICARE PREMIUMS COLLECTED AND FEDERAL MATCHING CONTRIBUTION**

SMI benefits and administrative expenses are financed by monthly premiums paid by Medicare beneficiaries and are matched by the Federal government through the general fund appropriation, Payments to the Health Care Trust Funds. Section 1844 of the Social Security Act authorizes appropriated funds to match SMI premiums collected, and outlines the ratio for the match as well as the method to make the trust funds whole if insufficient funds are available in the appropriation to match all premiums received in the fiscal year. The monthly SMI premium per beneficiary is \$43.80 from October 1998 through December 1998 and is \$45.50, beginning January 1999. Premiums collected from beneficiaries totaled \$20.2 billion in FY 1999 and were matched by a \$62.2 billion contribution from the Federal government.

## **Required Supplementary Stewardship Information:**

**Stewardship Property, Plant and Equipment**  
**Stewardship Investments -**  
**Investment in Human Capital**  
**Investment in Research and Development**

**U. S. Department of Health and Human Services  
Stewardship Property, Plant, and Equipment  
For Year Ended September 30, 1999**

HHS only has one division that has Stewardship assets. That division is the Indian Health Service (IHS). IHS has three types of assets for stewardship reporting: heritage, former Federal properties, and Indian Trust Lands.

Heritage assets are PP&E that are historically, architecturally, or culturally significant. This category includes buildings on the National Historic Register, cemetery sites, etc.

Former Federal Properties are sites, built with Federal funds, whose ownership has been transferred to State/local governments or Indian tribes through the Indian Self-Determination and Education Assistance Act, P.L. 93-638 105(f)(2), as amended.

Public Law (P.L.) 103-413, the Indian Health Care Reform Act of 1994, modified P.L. 93-638, the Indian Self-Determination Act, to allow the Indian Health Service to ‘...donate to an Indian tribe or tribal organization title to any personal or real property...’ section 105 (f) (2). Under this authority, the final regulations governing these transfers were developed and published on June 24, 1996, as 25 CFR Part 900.

Indian Trust lands are those lands that do not meet the definition of Stewardship land (i.e., land other than those acquired for or used in connection with general (capitalized) PP&E), but have always been held by IHS as separate and distinct, because of the Government’s long-term trust responsibility. All Trust lands, when no longer needed by IHS in connection with its general use PP&E, must be returned to the Department of the Interior’s Bureau of Indian Affairs, for continuing trust responsibility and oversight.

IHS asset accountability reports differentiate Indian Trust land parcels, by site and installation numbers and trust lands, from general PP&E situated thereon. The Indian Trust land balances have been removed from IHS FY 1999 Balance Sheet, and reported as Stewardship Assets - Indian Trust Lands.

IHS Stewardship Classes

<u>Asset Descriptions</u>	<u>Number of Sites</u>	<u>Total Square Footage</u>	<u>Federal Acreage</u>	<u>Total Acreage</u>
Heritage Assets	3	3,429	5.32	5.32
Former Federal Properties	2	142,850		
Indian Trust Lands	83		469	469

Distribution of Stewardship Assets by Type and Area

	Heritage Assets			Former Federal Buildings		Indian Trust Land	
	Number of Sites	Square Footage	Total Acreage	Number of Bldgs.	Square Footage	Number of Sites	Total Acreage
Aberdeen						9	74.7
Alaska	2	1,134	5.32				
Albuquerque						4	3.6
Bemidji						2	9.4
Billings						7	47.8
Navajo						34	256.1
Oklahoma City				2	142,850	2	9.9
Phoenix	1	2,295				15	53.3
Portland						5	1.8
Tucson						5	12
Total-IHS	<u>3</u>	<u>3,429</u>	<u>5.32</u>	<u>2</u>	<u>142,850</u>	<u>83</u>	<u>468.6</u>

See Required Supplementary Information for the reporting of the evaluation of deferred maintenance.

**U.S. Department of Health and Human Services  
 Stewardship Investments  
 Investment in Human Capital  
 For the Year Ended September 30, 1999**

“Investments in Human Capital” are expenses incurred by Federal education and training programs for the public, which are intended to maintain or increase national productive capacity. Two operating divisions of the department conduct education and training programs under this category: ACF and NIH.

Administration for Children and Families (ACF)

ACF is unable to provide baseline data for two of its programs for FY 1999. Under both the Temporary Assistance for Needy Families (TANF) program and the Office of Refugee Resettlement (ORR), States have flexibility in how they spend their money. Under TANF, States are authorized in part to spend money on training and education that prepares people for work, as well as transitional services for training on-the-job. ORR grants are used by States to provide employment-related and social services to refugees. Under both TANF and ORR programs, each State decides how much it will spend on these and other activities. Since there is nothing in statute or regulation requiring States to report discretely how much they spend on training and education, ACF is unable to provide detailed information on these two programs at this time.

In contrast, the Administration on Developmental Disabilities (ADD) program within ACF is able to estimate their investment in human capital from existing data collection activities. Under ADD, 22 grants were awarded for Projects of National Significance (PNS). PNS grants are awarded to non-profit institutions to enhance the independence, productivity, integration, and inclusion of people with developmental disabilities into the community. Monies also support the development of national and state policy to serve this community.

National Institutes of Health (NIH)

The NIH Research Training and Career Development Program addresses the need for trained personnel to conduct medical research. The primary goal of the support that NIH provides for graduate training and career development is to produce new, highly trained investigators who are likely to perform research that will benefit the Nation’s health. Our ability to maintain the momentum of recent scientific progress and our international leadership in medical research depends upon the continued development of new, highly trained investigators.

	(in millions)	
OPDIV/Program	1998	1999
ACF		
TANF	N/A	N/A
ORR	N/A	N/A
ADD	\$ 1	\$6
NIH		
Research, Training & Career		
Development	660	821
Total	\$661	\$827

**U.S. Department of Health and Human Services  
 Stewardship Investments  
 Investment in Research and Development  
 For the Year Ended September 30, 1999  
 (in thousands)**

OPDIV	Basic	Applied	Developmental	Total 1999	Total 1998
ACF		\$ 18,790		\$ 18,790	\$ 12,730
AoA					30
AHCPR		97,100		97,100	139,510
CDC		433,307		433,307	400
FDA		16,595	\$ 2,097	18,692	53,360
HRSA		18,300		18,300	43,990
NIH	\$ 7,876,030	3,877,430	1,709,839	13,463,299	11,037,920
OS					14,400
SAMHSA					<u>1,540</u>
Total	<u>\$ 7,876,030</u>	<u>\$ 4,461,522</u>	<u>\$ 1,711,936</u>	<u>\$ 14,049,488</u>	<u>\$ 11,303,880</u>

## **Required Supplementary Information:**

**Combining Statement of Budgetary Resources  
Condensed Balance Sheet – Franchise and Intragovernmental  
Support Revolving Funds  
Condensed Statement of Net Cost – Franchise and  
Intragovernmental Support Revolving Funds  
Deferred Maintenance  
Intragovernmental Transactions - Assets  
Intragovernmental Transactions - Liabilities**

**U.S. Department of Health and Human Services  
 Combining Statement of Budgetary Resources  
 For the year ended September 30, 1999  
 (in millions)**

	HCFA			Other Budgetary Accounts <sup>1</sup>	Combined Total
	Medicare HI	Medicaid	Medicare SMI		
<b>Budgetary Resources:</b>					
Budget authority	\$ 152,333	\$ 102,394	\$ 85,278	\$ 144,684	\$ 484,689
Unobligated balances – beginning of period	116,762	6,012	40,875	12,888	176,537
Spending authority from offsetting collections		60		4,878	4,938
Adjustments	<u>(138,222)</u>	<u>3,792</u>	<u>(45,615)</u>	<u>(2,476)</u>	<u>(182,521)</u>
Total Budgetary Resources	<u>\$ 130,873</u>	<u>\$ 112,258</u>	<u>\$ 80,538</u>	<u>\$ 159,974</u>	<u>\$ 483,643</u>
<b>Status of Budgetary Resources:</b>					
Obligations incurred	\$ 130,873	\$ 111,141	\$ 80,538	\$ 148,197	\$ 470,749
Unobligated balances - available		1,117		4,474	5,591
Unobligated balances - not available	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,303</u>	<u>7,303</u>
Total Status of Budgetary Resources	<u>\$ 130,873</u>	<u>\$ 112,258</u>	<u>\$ 80,538</u>	<u>\$ 159,974</u>	<u>\$ 483,643</u>
<b>Outlays:</b>					
Obligations incurred	\$ 130,873	\$ 111,141	\$ 80,538	\$ 148,197	\$ 470,749
Less: spending authority from offsetting collections and adjustments		(3,852)		(5,945)	(9,797)
Obligated balance, net – beginning of period	352	5,504	14	41,645	47,515
Obligated balance transferred, net				(110)	(110)
Less: obligated balance, net – end of period	<u>(465)</u>	<u>(4,751)</u>	<u>(34)</u>	<u>(51,344)</u>	<u>(56,594)</u>
Total Outlays	<u>\$ 130,760</u>	<u>\$ 108,042</u>	<u>\$ 80,518</u>	<u>\$ 132,443</u>	<u>\$ 451,763</u>

<sup>1</sup> "Other Budgetary Accounts" includes the major budgetary accounts of the eleven HHS OPDIVs other than HCFA, as well as the remaining budgetary accounts not reported by HCFA under Medicare and Medicaid. Information on the major budgetary accounts for individual OPDIVs can be found in each OPDIV's own annual report. OPDIVs reports can be accessed via the Department of Health and Human Services website at: [www.hhs.gov](http://www.hhs.gov).

**U.S. Department of Health and Human Services**  
**Condensed Balance Sheet**  
**Franchise and Intragovernmental Support Revolving Funds**  
**For the year ended September 30, 1999**  
**(in millions)**

	HHS Service and Supply Fund	NIH Service and Supply Fund	HRSA FOH	FDA Certification Fund	Combined Total
<b>Assets</b>					
Fund Balance with Treasury	\$ (50)	\$ 4	\$ 6	\$ 4	\$ (36)
Accounts Receivable, Net	139	11	31		181
Property, Plant and Equipment, Net	7	11		1	19
Other Assets	<u>21</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>39</u>
Total Assets	<u>\$ 117</u>	<u>\$ 44</u>	<u>\$ 37</u>	<u>\$ 5</u>	<u>\$ 203</u>
<b>Liabilities</b>					
Accounts Payable	\$ 24	\$ 26	\$ 13	\$ -	\$ 63
Other Liabilities	<u>13</u>	<u>9</u>	<u>3</u>	<u>1</u>	<u>26</u>
Total Liabilities	37	35	16	1	89
<b>Net Position</b>					
Cumulative Results of Operations	<u>80</u>	<u>9</u>	<u>21</u>	<u>4</u>	<u>114</u>
Total Liabilities and Net Position	<u>\$ 117</u>	<u>\$ 44</u>	<u>\$ 37</u>	<u>\$ 5</u>	<u>\$ 203</u>

**U.S. Department of Health and Human Services**  
**Condensed Statement of Net Cost**  
**Franchise and Intragovernmental Support Revolving Funds**  
**For the year ended September 30, 1999**  
**(in millions)**

Program/Business Line	Gross Costs	Less: Earned Revenue	Net Costs
<b>HHS Service &amp; Supply Fund</b>			
Administrative Operations Services	\$ 203	\$ (205)	\$ (2)
Financial Management Services	47	(49)	(2)
Human Resources Services	<u>48</u>	<u>(41)</u>	<u>7</u>
Total	<u>\$ 298</u>	<u>\$ (295)</u>	<u>\$ 3</u>
<b>NIH Service &amp; Supply Fund</b>			
Administrative Services	\$ 146	\$ (143)	\$ 3
Information Technology	73	(73)	-
Instrumentation Services	10	(11)	(1)
Animal Services	<u>23</u>	<u>(22)</u>	<u>1</u>
Total	<u>\$ 252</u>	<u>\$ (249)</u>	<u>\$ 3</u>
<b>HRSA FOH</b>			
Clinical Occupational Health	\$ 41	\$ (42)	\$ (1)
Environmental Health	11	(12)	(1)
Employee Assistance	<u>33</u>	<u>(34)</u>	<u>(1)</u>
Total	<u>\$ 85</u>	<u>\$ (88)</u>	<u>\$ (3)</u>
<b>FDA Certification Fund</b>			
Foods	<u>\$ 7</u>	<u>\$ (4)</u>	<u>\$ 3</u>
Grand Total - HHS Revolving Funds	<u>\$ 642</u>	<u>\$ (636)</u>	<u>\$ 6</u>

**U.S. Department of Health and Human Services  
Deferred Maintenance  
For the Year Ending September 30, 1999**

Category of Asset	Condition	Cost to Return to Acceptable Condition (in millions)
General PP & E		
Land	1	
Building	3-5	642.2
Other Structures	4	2.8
Equipment	2	18.0
Total		663.0

Asset condition is assessed on a scale of 1-5 as follows:

Excellent = 1 Good = 2 Fair = 3 Poor = 4 Very Poor = 5

A "Fair" or "3" rating is considered acceptable operating condition. Although PP&E categories may be rated as acceptable, individual assets within a category may require maintenance work to return them to acceptable operating condition. Therefore, assets categories with an overall rating of "Fair" or above may still report necessary costs to return to acceptable condition.

**U.S. Department of Health and Human Services**  
**Intragovernmental Transactions - Assets**  
**For Year Ended September 30, 1999**  
**(in millions)**

Agency	TFM Dept Code	Fund Bal. w/ Treasury	Investments	Accounts Receivable	Other
Dept of Agriculture	12		\$ -	\$ 2	\$ -
Dept of Commerce	13		-	-	1
Dept of Defense	17, 21, 57, 97		-	40	-
Dept of Education	91		-	6	-
Dept of Energy	89		-	7	-
Dept of HUD	86		-	-	-
Dept of HHS	75		-	548	147
Dept of the Interior	14		-	1	-
Dept of Justice	15		-	16	-
Dept of Labor	16		-	2	-
Dept of State	19		-	7	-
Dept of Transportation	69		-	-	-
Dept of the Treasury	20	\$ 73,204	184,764	6,050	-
Dept of Veterans Affairs	36		-	55	6
Agency for International Dev	72		-	46	-
Environ Protection Agency	68		-	67	-
Fed Emergency Mgmt Agency	58		-	14	-
Small Business Admin	73		-	-	-
General Services Admin	47		-	19	20
National Aeronautics & Space Admin	80		-	1	-
National Science Foundation	49		-	-	-
Nuclear Regulatory Commission	31		-	-	-
Office of Personnel Mgmt	24		-	-	-
Social Security Admin	28		-	10	-
All other Federal agencies			-	155	56
<b>Total</b>		<u>\$ 73,204</u>	<u>\$ 184,764</u>	<u>\$ 7,046</u>	<u>\$ 230</u>

**U.S. Department of Health and Human Services**  
**Intragovernmental Transactions - Liabilities**  
**For Year Ended September 30, 1999**  
**(in millions)**

<u>Agency</u>	<u>TFM Dept Code</u>	<u>Accounts Payable</u>	<u>Environmental &amp; Disposal Costs</u>	<u>Debt</u>	<u>Other</u>
Dept of Agriculture	12	\$ -	\$ -	\$ -	\$ -
Dept of Commerce	13	-	-	-	-
Dept of Defense	17, 21, 57, 97	9	-	-	-
Dept of Education	91	-	3	-	-
Dept of Energy	89	-	-	-	5
Dept of HUD	86	-	-	-	-
Dept of HHS	75	481	-	-	110
Dept of the Interior	14	4	-	-	-
Dept of Justice	15	-	-	-	20
Dept of Labor	16	5	-	-	2
Dept of State	19	-	-	-	-
Dept of Transportation	69	-	-	-	-
Dept of the Treasury	20	2,867	-	-	230
Dept of Veterans Affairs	36	-	-	-	-
Agency for International Dev	72	-	-	-	-
Environ Protection Agency	68	-	-	-	4
Fed Emergency Mgmt Agency	58	-	-	-	13
Small Business Admin	73	-	-	-	-
General Services Admin	47	35	-	-	24
National Aeronautics & Space Admin	80	12	-	-	-
National Science Foundation	49	-	-	-	-
Nuclear Regulatory Commission	31	-	-	-	-
Office of Personnel Mgmt	24	-	-	-	10
Social Security Admin	28	-	-	-	1
All other Federal agencies		<u>46</u>	<u>-</u>	<u>-</u>	<u>76</u>
Total		<u>\$ 3,459</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 495</u>

## **Other Accompanying Information:**

**Consolidating Balance Sheet by Budget Function**

**Consolidating Balance Sheet by Operating Division**

**Consolidating Statement of Net Cost by Budget Function**

**Consolidating Statement of Changes in Net Position by  
Budget Function**

**Public and Intragovernmental Net Costs**

**U.S. Department of Health and Human Services  
 Consolidating Balance Sheet by Budget Function  
 September 30, 1999  
 (in millions)**

	Education, Training and Social Services	Health	Medicare	Income Security	Admin. of Justice	Natural Resources & Environ	Combined Totals	Intra-HHS Eliminations	Consolidated Totals
<b>Assets</b>									
Entity Assets:									
Intragovernmental									
Fund Balance with Treasury	\$ 9,213	\$ 38,278	\$ 3,839	\$ 21,635	\$ 185	\$ 10	\$ 73,160	\$ -	\$ 73,160
Investments, Net	-	1,466	183,298	-	-	-	184,764	-	184,764
Accounts Receivable, Net	3	6,390	590	-	-	61	7,044	(421)	6,623
Other	-	230	-	-	-	-	230	(146)	84
<b>Total Intragovernmental</b>	<b>9,216</b>	<b>46,364</b>	<b>187,727</b>	<b>21,635</b>	<b>185</b>	<b>71</b>	<b>265,198</b>	<b>(567)</b>	<b>264,631</b>
Accounts Receivable, Net	-	115	4,223	-	-	-	4,338	-	4,338
Loans Receivable, Net	-	401	-	-	-	-	401	-	401
Advances with the Public	-	133	70	-	-	2	205	-	205
Cash and Other Monetary Assets	-	-	56	-	-	-	56	-	56
Inventory and Related Property, Net	-	75	-	-	-	-	75	-	75
General Property, Plant & Equipment, Net	-	1,802	19	-	-	1	1,822	-	1,822
Other	-	-	-	-	-	-	-	-	-
<b>Total Entity</b>	<b>9,216</b>	<b>48,890</b>	<b>192,095</b>	<b>21,635</b>	<b>185</b>	<b>74</b>	<b>272,095</b>	<b>(567)</b>	<b>271,528</b>
Non-Entity Assets:									
Intragovernmental									
Fund Balance with Treasury	-	41	-	3	-	-	44	-	44
Accounts Receivable, Net	-	2	-	-	-	-	2	-	2
<b>Total Intragovernmental</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>46</b>
Accounts Receivable, Net	-	60	-	-	-	-	60	-	60
<b>Total Non-Entity</b>	<b>-</b>	<b>103</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>-</b>	<b>106</b>
<b>Total Assets</b>	<b>\$ 9,216</b>	<b>\$ 48,993</b>	<b>\$ 192,095</b>	<b>\$ 21,638</b>	<b>\$ 185</b>	<b>\$ 74</b>	<b>\$ 272,201</b>	<b>\$ (567)</b>	<b>\$ 271,634</b>
<b>Liabilities</b>									
Liabilities Covered by Budgetary Resources									
Intragovernmental									
Accounts Payable	\$ (2)	\$ 228	\$ 355	\$ (5)	\$ 16	\$ -	\$ 592	\$ (567)	\$ 25
Employment Tax Revenue Adjustment	-	-	2,867	-	-	-	2,867	-	2,867
Environmental and Disposal Costs	-	1	-	-	-	-	1	-	1
Other	1	309	166	-	-	-	476	-	476
<b>Total Intragovernmental</b>	<b>(1)</b>	<b>538</b>	<b>3,388</b>	<b>(5)</b>	<b>16</b>	<b>-</b>	<b>3,936</b>	<b>(567)</b>	<b>3,369</b>
Accounts Payable	13	498	-	4	3	4	522	-	522
Entitlement Benefits Payable	-	11,626	23,676	-	-	-	35,302	-	35,302
Accrued Grants	(204)	770	-	922	30	-	1,518	-	1,518
Loan Guarantees	-	333	-	-	-	-	333	-	333
Other	6	767	195	-	-	1	969	-	969
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>(186)</b>	<b>14,532</b>	<b>27,259</b>	<b>921</b>	<b>49</b>	<b>5</b>	<b>42,580</b>	<b>(567)</b>	<b>42,013</b>
Liabilities Not Covered by Budgetary Resources									
Intragovernmental									
Environmental and Disposal Costs	-	2	-	-	-	-	2	-	2
Other	-	19	-	-	-	-	19	-	19
<b>Total Intragovernmental</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>21</b>
Environmental and Disposal Costs	-	12	-	-	-	-	12	-	12
Federal Employee and Veterans Benefits	3	4,936	-	-	-	1	4,940	-	4,940
Other	12	373	31	3	-	2	421	-	421
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>15</b>	<b>5,342</b>	<b>31</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>5,394</b>	<b>-</b>	<b>5,394</b>
<b>Total Liabilities</b>	<b>\$ (171)</b>	<b>\$ 19,874</b>	<b>\$ 27,290</b>	<b>\$ 924</b>	<b>\$ 49</b>	<b>\$ 8</b>	<b>\$ 47,974</b>	<b>\$ (567)</b>	<b>\$ 47,407</b>
<b>Net Position</b>									
Unexpended Appropriations	\$ 9,379	\$ 30,595	\$ 34	\$ 20,669	\$ 217	\$ 68	\$ 60,962	\$ -	\$ 60,962
Cumulative Results of Operations	8	(1,476)	164,771	45	(81)	(2)	163,265	-	163,265
<b>Total Net Position</b>	<b>\$ 9,387</b>	<b>\$ 29,119</b>	<b>\$ 164,805</b>	<b>\$ 20,714</b>	<b>\$ 136</b>	<b>\$ 66</b>	<b>\$ 224,227</b>	<b>\$ -</b>	<b>\$ 224,227</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 9,216</b>	<b>\$ 48,993</b>	<b>\$ 192,095</b>	<b>\$ 21,638</b>	<b>\$ 185</b>	<b>\$ 74</b>	<b>\$ 272,201</b>	<b>\$ (567)</b>	<b>\$ 271,634</b>

In addition to this schedule, more detailed information on individual operating divisions (OPDIVs) can be found in the OPDIVs' audited financial statement. OPDIV financial statements can be accessed on the Internet at: [www.hhs.gov](http://www.hhs.gov)

**U.S. Department of Health and Human Services  
 Consolidating Balance Sheet by Operating Division  
 September 30, 1999  
 (in millions)**

	ACF	AoA	AHCPR	CDC	FDA	HCFA	HRSA	IHS	NIH	OS	PSC	SAMHSA	Combined Totals	Intra-HHS Eliminations	Consolidated Totals
<b>Assets</b>															
<b>Entity Assets:</b>															
<b>Intragovernmental</b>															
Fund Balance with Treasury	\$ 30,728	\$ 264	\$ 162	\$ 2,307	\$ 432	\$ 17,768	\$ 3,674	\$ 1,121	\$ 14,225	\$ 603	\$ -	\$ 1,876	\$ 73,160	\$ -	\$ 73,160
Investments, Net	-	-	-	-	-	183,298	1,454	-	12	-	-	-	184,764	-	184,764
Accounts Receivable, Net	-	3	4	90	13	6,325	32	154	140	150	130	3	7,044	(421)	6,623
Other	-	-	-	8	18	60	6	-	138	-	-	-	230	(146)	84
<b>Total Intragovernmental</b>	<b>30,728</b>	<b>267</b>	<b>166</b>	<b>2,405</b>	<b>463</b>	<b>207,451</b>	<b>5,166</b>	<b>1,275</b>	<b>14,515</b>	<b>753</b>	<b>130</b>	<b>1,879</b>	<b>265,198</b>	<b>(567)</b>	<b>264,631</b>
Accounts Receivable, Net	-	-	6	7	9	4,249	-	35	18	2	9	3	4,338	-	4,338
Loans Receivable, Net	-	-	-	-	-	-	401	-	-	-	-	-	401	-	401
Advances with the Public	-	-	2	47	-	129	-	23	4	-	-	-	205	-	205
Cash and Other Monetary Assets	-	-	-	-	-	56	-	-	-	-	-	-	56	-	56
Inventory and Related Property, Net	-	-	-	27	-	-	-	13	14	-	21	-	75	-	75
General Property, Plant & Equipment, Net	-	-	-	157	178	20	-	643	814	1	7	2	1,822	-	1,822
<b>Total Entity</b>	<b>30,728</b>	<b>267</b>	<b>174</b>	<b>2,643</b>	<b>650</b>	<b>211,905</b>	<b>5,567</b>	<b>1,989</b>	<b>15,365</b>	<b>756</b>	<b>167</b>	<b>1,884</b>	<b>272,095</b>	<b>(567)</b>	<b>271,528</b>
<b>Non-Entity Assets:</b>															
<b>Intragovernmental</b>															
Fund Balance with Treasury	3	-	(2)	-	-	-	15	18	1	9	-	-	44	-	44
Accounts Receivable, Net	-	-	-	-	-	-	-	-	2	-	-	-	2	-	2
<b>Total Intragovernmental</b>	<b>3</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>18</b>	<b>3</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>46</b>
Accounts Receivable, Net	-	-	-	-	-	60	-	-	-	-	-	-	60	-	60
<b>Total Non-Entity</b>	<b>3</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>15</b>	<b>18</b>	<b>3</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>-</b>	<b>106</b>
<b>Total Assets</b>	<b>\$ 30,731</b>	<b>\$ 267</b>	<b>\$ 172</b>	<b>\$ 2,643</b>	<b>\$ 650</b>	<b>\$ 211,965</b>	<b>\$ 5,582</b>	<b>\$ 2,007</b>	<b>\$ 15,368</b>	<b>\$ 765</b>	<b>\$ 167</b>	<b>\$ 1,884</b>	<b>\$ 272,201</b>	<b>\$ (567)</b>	<b>\$ 271,634</b>
<b>Liabilities</b>															
<b>Liabilities Covered by Budgetary Resources</b>															
<b>Intragovernmental</b>															
Accounts Payable	\$ 8	\$ 1	\$ 2	\$ 8	\$ 17	\$ 355	\$ 16	\$ 2	\$ 138	\$ 17	\$ 23	\$ 5	\$ 592	\$ (567)	\$ 25
Employment Tax Revenue Adjustment	-	-	-	-	-	2,867	-	-	-	-	-	-	2,867	-	2,867
Environmental and Disposal Costs	-	-	-	-	1	-	-	-	-	-	-	-	1	-	1
Other	1	-	74	47	1	237	3	61	(10)	28	34	34	476	-	476
<b>Total Intragovernmental</b>	<b>9</b>	<b>1</b>	<b>76</b>	<b>55</b>	<b>19</b>	<b>3,459</b>	<b>19</b>	<b>63</b>	<b>138</b>	<b>7</b>	<b>51</b>	<b>39</b>	<b>3,936</b>	<b>(567)</b>	<b>3,369</b>
Accounts Payable	17	-	6	88	26	-	36	64	257	14	-	14	522	-	522
Entitlement Benefits Payable	-	-	-	-	-	35,302	-	-	-	-	-	-	35,302	-	35,302
Accrued Grants	703	31	-	15	-	-	174	-	511	11	-	73	1,518	-	1,518
Loan Guarantees	-	-	-	-	-	-	333	-	-	-	-	-	333	-	333
Other	5	-	1	34	39	209	428	46	138	45	22	2	969	-	969
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>734</b>	<b>32</b>	<b>83</b>	<b>192</b>	<b>84</b>	<b>38,970</b>	<b>990</b>	<b>173</b>	<b>1,044</b>	<b>77</b>	<b>73</b>	<b>128</b>	<b>42,580</b>	<b>(567)</b>	<b>42,013</b>
<b>Liabilities Not Covered by Budgetary Resources</b>															
<b>Intragovernmental</b>															
Environmental and Disposal Costs	-	-	-	-	2	-	-	-	-	-	-	-	2	-	2
Other	-	-	(2)	21	-	-	-	-	-	-	-	-	19	-	19
<b>Total Intragovernmental</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>21</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>21</b>
Environmental and Disposal Costs	-	-	-	-	3	-	-	-	9	-	-	-	12	-	12
Federal Employee and Veterans Benefits	3	-	-	11	18	-	23	48	-	14	4,805	18	4,940	-	4,940
Other	14	1	2	37	50	33	17	88	145	32	(3)	5	421	-	421
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>17</b>	<b>1</b>	<b>-</b>	<b>69</b>	<b>73</b>	<b>33</b>	<b>40</b>	<b>136</b>	<b>154</b>	<b>46</b>	<b>4,802</b>	<b>23</b>	<b>5,394</b>	<b>-</b>	<b>5,394</b>
<b>Total Liabilities</b>	<b>\$ 751</b>	<b>\$ 33</b>	<b>\$ 83</b>	<b>\$ 261</b>	<b>\$ 157</b>	<b>\$ 39,003</b>	<b>\$ 1,030</b>	<b>\$ 309</b>	<b>\$ 1,198</b>	<b>\$ 123</b>	<b>\$ 4,875</b>	<b>\$ 151</b>	<b>\$ 47,974</b>	<b>\$ (567)</b>	<b>\$ 47,407</b>
<b>Net Position</b>															
Unexpended Appropriations	\$ 30,007	\$ 235	\$ 77	\$ 2,264	\$ 300	\$ 8,082	\$ 3,113	\$ 1,157	\$ 13,348	\$ 622	\$ 15	\$ 1,742	\$ 60,962	\$ -	\$ 60,962
Cumulative Results of Operations	(27)	(1)	12	118	193	164,880	1,439	541	822	20	(4,723)	(9)	163,265	-	163,265
<b>Total Net Position</b>	<b>\$ 29,980</b>	<b>\$ 234</b>	<b>\$ 89</b>	<b>\$ 2,382</b>	<b>\$ 493</b>	<b>\$ 172,962</b>	<b>\$ 4,552</b>	<b>\$ 1,698</b>	<b>\$ 14,170</b>	<b>\$ 642</b>	<b>\$ (4,708)</b>	<b>\$ 1,733</b>	<b>\$ 224,227</b>	<b>\$ -</b>	<b>\$ 224,227</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 30,731</b>	<b>\$ 267</b>	<b>\$ 172</b>	<b>\$ 2,643</b>	<b>\$ 650</b>	<b>\$ 211,965</b>	<b>\$ 5,582</b>	<b>\$ 2,007</b>	<b>\$ 15,368</b>	<b>\$ 765</b>	<b>\$ 167</b>	<b>\$ 1,884</b>	<b>\$ 272,201</b>	<b>\$ (567)</b>	<b>\$ 271,634</b>

In addition to this schedule, more detailed information on individual operating divisions (OPDIVs) can be found in the OPDIVs' audited financial statement. OPDIV financial statements can be accessed on the Internet at: [www.hhs.gov](http://www.hhs.gov)

**U.S. Department of Health and Human Services**  
**Consolidating Statement of Net Cost By Budget Function**  
**For the Year Ended September 30, 1999**  
**(in millions)**

Operating Division:	Education,					Natural	Combined	Intra-HHS Eliminations		Consolidated
	Social Services	Health	Medicare	Income Security	Admin of Justice	Resources & Environment		Cost (-)	Revenue	
ACF	\$ 12,231	-	-	\$ 23,304	\$ 109	-	\$ 35,644	\$ (47)	\$ 17	\$ 35,614
AoA	924	-	-	-	-	-	924	(1)	-	923
AHCPR	-	100	-	-	-	-	100	(6)	80	174
CDC	-	2,394	-	-	62	75	2,531	(42)	80	2,569
FDA	-	1,008	-	-	-	-	1,008	(49)	16	975
HCFA	-	109,551	254,347	-	-	-	363,898	(69,892)	-	294,006
HRSA	-	4,114	-	-	-	-	4,114	(72)	27	4,069
IHS	-	2,192	-	-	-	-	2,192	(50)	37	2,179
NIH	-	14,602	-	-	-	-	14,602	(1,182)	1,014	14,434
OS	-	408	-	-	-	-	408	(39)	121	490
PSC	-	570	-	-	-	-	570	(24)	171	717
SAMHSA	-	2,290	-	-	-	-	2,290	(17)	12	2,285
<b>Net Cost of Operations</b>	<b>\$ 13,155</b>	<b>\$ 137,229</b>	<b>\$ 254,347</b>	<b>\$ 23,304</b>	<b>\$ 171</b>	<b>\$ 75</b>	<b>\$ 428,281</b>	<b>\$ (71,421)</b>	<b>\$ 1,575</b>	<b>\$ 358,435</b>

The accompanying notes are an integral part of these statements. In addition, detailed information on individual GPRA programs and other activities for the individual operating divisions (OPDIVs) can be found in the OPDIVs' audited financial statement. OPDIV financial statements can be accessed on the Internet at: [www.hhs.gov](http://www.hhs.gov)

**U.S. Department of Health and Human Services**  
**Consolidating Statement of Changes in Net Position by Budget Function**  
**For the year ended September 30, 1999**  
**(in millions)**

	<u>Education, Training and Social Services</u>	<u>Health</u>	<u>Medicare</u>	<u>Income Security</u>	<u>Admin. of Justice</u>	<u>Natural Resources &amp; Environment</u>	<u>Combined Totals</u>	<u>Eliminations (Non-exchange Revenues)</u>
Net Cost of Operations	\$ 13,155	\$ 137,229	\$ 254,347	\$ 23,304	\$ 171	\$ 75	\$ 428,281	\$ (69,846)
Financing Sources (other than exchange revenues):								
Appropriations Used	13,124	137,152	69,846	23,348	100	71	243,641	
Taxes (and other non-exchange revenue)	-	-	206,348	-	-	-	206,348	(62,480)
Donations (non-exchange revenue)	-	211	-	-	-	-	211	
Imputed Financing	10	269	-	-	-	2	281	
Transfers-in	-	139	1,680	-	-	-	1,819	
Transfers-out	-	(9)	(1,809)	-	-	-	(1,818)	
Other Financing Sources	-	49	8,032	-	-	-	8,081	(7,366)
Net Results of Operations	(21)	582	29,750	44	(71)	(2)	30,282	-
Prior Period Adjustments	1	(1,492)	-	-	-	-	(1,491)	-
Net Change in Cumulative Results of Operations	(20)	(910)	29,750	44	(71)	(2)	28,791	-
Increase (Decrease) in Unexpended Appropriations	513	4,778	(758)	2,671	41	4	7,249	-
Change in Net Position	493	3,868	28,992	2,715	(30)	2	36,040	-
Net Position-Beginning of Period	8,894	25,251	135,813	17,999	166	64	188,187	-
Net Position-End of Period	\$ 9,387	\$ 29,119	\$ 164,805	\$ 20,714	\$ 136	\$ 66	\$ 224,227	\$ -

**U.S. Department of Health and Human Service  
Public and Intragovernmental Net Costs  
For the year ended September 30, 1999  
(in millions)**

<b>Operating Division</b>	<b>Intra - Governmental</b>	<b>With the Public</b>	<b>Gross Costs</b>	<b>Less: Earned Revenue</b>	<b>Combined Net Cost of Operations</b>
ACF	\$	\$ 35,669	\$ 35,669	\$ (25)	\$ 35,644
AoA		925	925	(1)	924
AHCPR		164	164	(64)	100
CDC	320	2,362	2,682	(151)	2,531
FDA	275	893	1,168	(160)	1,008
HCFA	70,825	314,776	385,601	(21,703)	363,898
HRSA		4,457	4,457	(343)	4,114
IHS		2,783	2,783	(591)	2,192
NIH	258	14,586	14,844	(242)	14,602
OS	540		540	(132)	408
PSC		865	865	(295)	570
SAMHSA	<u>-</u>	<u>2,314</u>	<u>2,314</u>	<u>(24)</u>	<u>2,290</u>
<b>Total Public and Intragovernmental Costs</b>	<u>\$ 72,218</u>	<u>\$ 379,794</u>	<u>\$ 452,012</u>	<u>\$ (23,731)</u>	<u>\$ 428,281</u>

