

ANALYSIS OF NET COSTS

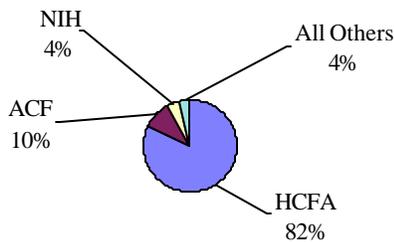
The Statement of Net Costs (which has been required for FYs 1998 and beyond) can loosely be equated with the former “Statement of Operations” which focused on how the Department’s money was spent, using such categories such as grants, salaries, contracts, etc. At the Departmental level presented in this Accountability Report, the net cost of operating each OPDIV is presented in aggregate and by budget function. There is little information for analysis. Details would need to be obtained from the individual OPDIV financial statements.

The FY 1999 GPRA annual performance plans identified major programs. Those programs are shown on the OPDIVs’ respective FY 1999 statements. Due to this number of OPDIV programs, presentation and analysis of cost by program will, of necessity, be at the OPDIV level. The OPDIV financial statements will be available on their respective Internet Web sites. For reporting at the Departmental level, these programs have been rolled up by budget functions. HHS’s largest budget function is Medicare.

In addition, the Statement of Net Costs will allow for linking program performance under GPRA reporting to the costs of programs reflected on the OPDIVs’ respective statements. The concept of linking resources to results will finally be achieved by the display of total program costs.

The format of the HHS-level Statement of Net Costs is now quite similar to the schedule of HHS FY 1999 net outlays by budget function and OPDIV (see Budgetary Highlights in Section I). The difference between the two is that the Statement of Net Costs represents expenses computed using accrual accounting techniques which recognize costs when incurred, regardless of the year the money was appropriated during the budget process. The net outlays chart in Section I identifies only the outlay (issuance of checks, disbursement of cash, or electronic transfer of funds) of those funds ‘tagged’ during the budget process as FY 1999 funds.

**FY 1999 Net Cost of Operations
by OPDIV**



*HCFA, ACF, and NIH account
for the largest percentages of HHS'
FY 1999 Total Net Cost of Operations.*