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4 ``BUDGET AND SPENDING CONCERNS AT HEALTH AND HUMAN SERVICES''

5 WEDNESDAY, MAY 9, 2012

6 House of Representatives,

7 Subcommittee on Oversight and Investigation

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The Subcommittee met, pursuant to call, at 10:07 a.m.,  
11 in Room 2322 of the Rayburn House Office Building, Hon. Cliff  
12 Stearns [Chairman of the Subcommittee] presiding.

13 Members present: Representatives Stearns, Terry,  
14 Burgess, Blackburn, Scalise, Barton, Schakowsky, Christensen  
15 and Waxman (ex officio).

16 Staff present: Sean Bonyun, Deputy Communications  
17 Director; Mike Gruber, Senior Policy Advisor; Carly  
18 McWilliams, Legislative Clerk; Andrew Powaleny, Deputy Press

19 Secretary; Krista Rosenthal, Counsel to Chairman Emeritus;  
20 Alan Slobodin, Deputy Chief Counsel, Oversight; Sam Spector,  
21 Counsel, Oversight; John Stone, Counsel, Oversight; Roger  
22 Stoltz, Detailee-Oversight (GAO); Tim Torres, Deputy IT  
23 Director; Alex Yergin, Legislative Clerk; Alvin Banks,  
24 Democratic Investigator; Brian Cohen, Democratic  
25 Investigations Staff Director and Senior Policy Advisor; and  
26 Matt Siegler, Democratic Counsel.

|  
27 Mr. {Stearns.} Good morning, everybody.

28 We convene this hearing, the Subcommittee on Oversight  
29 and Investigations, on ``Budget and Spending Concerns at  
30 Health and Human Services.''

31 This is our fourth in our series of oversight hearings  
32 on the federal budget. This hearing aims to determine the  
33 results of the Department of Health and Human Services',  
34 their efforts to identify wasteful, duplicative or excessive  
35 spending and to assist in finding more spending cuts and  
36 savings, pursuant now to the President's ordered line-by-line  
37 review.

38 HHS is the largest agency, by budget, under this  
39 committee's jurisdiction and is second only to the Department  
40 of Defense. The President's fiscal year 2013 budget  
41 requested \$941 billion in outlays and \$77 billion in  
42 discretionary budget authority for Health and Human Services,  
43 an increase of nearly 8 percent over last year's outlays and  
44 a slight increase over last year's discretionary budget.  
45 This increase is in addition to the \$140 billion in Recovery  
46 Act funds provided to Health and Human Services programs.

47 HHS, as recently as 2009 fiscal year, was an agency of  
48 nearly 80,000 federal employees. According to fiscal year  
49 2010 Office of Personnel Management data, these include 91 of

50 the federal government's top-100 highest-paid civil servants  
51 and 651 of the federal government's top-1000 highest-paid  
52 civil servants. And Health and Human Services continues to  
53 grow. Between fiscal year 2007 and 2013, the number of full-  
54 time equivalents rose from 64,000 to 76,000, an increase of  
55 about 20 percent.

56 At an agency as large as HHS, opportunities are ripe for  
57 wasteful and duplicative spending. It is clear that HHS has  
58 a long way to go to streamline its many, many multi-billion-  
59 dollar programs and restore trust in its management of our  
60 tax dollars. For example, HHS, just like DOE, failed to heed  
61 the President's April 2009 order to Cabinet secretaries to  
62 identify a combined \$100 million in budget cuts by July 2009.  
63 And there is clearly waste.

64 The Centers for Disease Control's Communities Putting  
65 Prevention to Work program, for which the Recovery Act made  
66 hundreds of millions of dollars available, have paid for  
67 signage to promote recreational destinations,  
68 intergenerational urban gardening and community bike-sharing  
69 programs around the country. CDC's website even boasts that  
70 money under this program was provided to Kauai, Hawaii, ``to  
71 develop remote school drop-off sites to encourage students  
72 and staff to walk farther distances to school entrances.''

73 Perhaps HHS is telling Congress that we should eliminate

74 mass transit as part of our war against obesity. Incredibly,  
75 this same program also funded free pet spaying and neutering.  
76 While a laudable goal, the Department of Health and Human  
77 Services should focus its limited resources on human health.

78 Now, my colleagues, just last month, GAO released a  
79 report on the Medicare Advantage Quality Bonus Payment  
80 Demonstration program, which it estimated will cost \$8.35  
81 billion over 10 years. Secretary Sebelius says that she  
82 intends to go forward with this project despite the fact that  
83 GAO concludes that it is unprecedented in size and scope and  
84 that its design ``precludes a credible evaluation of its  
85 effectiveness.'' Obamacare stipulates cuts in Medicare  
86 Advantage funding. Therefore, the Wall Street Journal has  
87 suggested that the purpose of the demonstration project is to  
88 give a program that is popular with seniors a temporary  
89 reprieve past Election Day. And I think the Wall Street  
90 Journal is right.

91 When we are borrowing 40 cents of every dollar we spend,  
92 we need to ensure that the American taxpayer is getting the  
93 proper value for their tax dollars. In order to learn more  
94 about Health and Human Services' efforts, we will take  
95 testimony today from the Deputy Assistant Secretary for  
96 Budget at HHS, Norris Cochran, and Directors of Health Care  
97 at GAO, Carolyn Yocom and James Cosgrove, who will be

98 providing joint testimony, and I welcome these witnesses this  
99 morning.

100 I would point out that the HHS Office of the Inspector  
101 General declined the subcommittee's invitation to testify at  
102 this hearing, noting that due to statutory mandates and  
103 funding streams, it spends 80 percent of its limited  
104 resources on fighting fraud, waste and abuse in the Medicare  
105 and Medicaid programs. The IG also confirmed that it has not  
106 done any significant recent work looking at duplicative  
107 programs within HHS, nor does it have plans to conduct such a  
108 review in the near future.

109 For this reason, only GAO will be present at the hearing  
110 to provide an independent, outside assessment of Health and  
111 Human Services' efforts to identify wasteful, duplicative and  
112 excessive spending within the agency. In the absence of the  
113 IG, this subcommittee's role in providing much-needed  
114 oversight of HHS spending and operations becomes all the more  
115 crucial and important.

116 This subcommittee, and the committee as a whole, must  
117 remain deeply and regularly engaged with the agencies within  
118 its jurisdiction, including HHS as they define their  
119 priorities, identify their needs and set their goals for the  
120 years ahead.

121 [The prepared statement of Mr. Stearns follows:]

122 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
123           Mr. {Stearns.} With that, I recognize Ms. Jan  
124 Schakowsky, the ranking member who is substituting, as I  
125 understand for Ms. DeGette.

126           Ms. {Schakowsky.} Thank you, Mr. Chairman. It is my  
127 honor to be sitting in for Congresswoman Diana DeGette this  
128 morning as ranking member.

129           Led by my Republican colleagues, we are here to talk  
130 about spending priorities in the Health and Human Services'  
131 budget. Given the substantial short- and long-term deficit  
132 challenges we face, I understand the need to root out  
133 wasteful spending, and I am sure that every agency is being  
134 fiscally responsible. Because our test is to address those  
135 challenges while simultaneously constructing a strong  
136 foundation for a healthy and bright economic future for our  
137 country, I must point out what I see is the misplaced focus  
138 of my Republican colleagues. In March, the Republicans  
139 passed an irresponsible budget that will only makes things  
140 worse for the middle class and those who aspire to it. The  
141 Republican budget makes it clear that their party puts the  
142 very richest Americans as the top priority and makes everyone  
143 else bear the burden.

144           The Republican budget would do nothing to address income  
145 inequality. Instead, it would make it worse by increasing

146 defense spending while slashing investments important to job  
147 creation, seniors, children and the middle class. The  
148 Republican budget mandates additional cuts to discretionary  
149 programs like Medicaid, food stamps, the Social Services  
150 Block Grant and the Prevention and Public Health Fund to  
151 insulate the Department of Defense from spending cuts  
152 triggered by the failure of the Joint Select Committee on  
153 Deficit Reduction.

154         Our committee was directed to find at least \$97 billion  
155 in cuts, nearly half of which came from public health  
156 programs. The committee has lost valuable time, time that we  
157 could have spent discussing ways to get needed health care to  
158 Americans who have lost their health insurance along with  
159 their jobs, who cannot afford costly insurance premiums.  
160 Instead, my Republican colleagues have repeatedly attacked  
161 Obamacare and once again they seek to repeal the law in their  
162 budget. We should be working to lower health care costs by  
163 improving efficiency and providing access to prevention.

164         Instead, my Republican colleagues have railed against  
165 the Prevention and Public Health Fund and repeatedly used its  
166 funding to force choices we shouldn't and don't have to make,  
167 like the choice between the elimination of funding for the  
168 Prevention and Public Health Fund or relief for students who  
169 are saddled with student-loan debt.

170           If we want to build a healthier, economically strong  
171 America, we must maintain our investment in prevention.  
172 Understand what the fund is about. It is about preventing  
173 diabetes, heart disease, cancer, and it is about getting  
174 money to State and local governments and organizations so  
175 they in turn can put prevention programs in place that are  
176 designed to meet the needs of their communities. This is  
177 about keeping America healthy.

178           My colleagues on the other side of the aisle lose sight  
179 of this goal when they try to rile people up by labeling the  
180 Prevention and Public Health Fund as a slush fund. It isn't.  
181 Under the President's 2013 budget, the fund would support  
182 breast and cervical cancer screenings. Americans know that  
183 mammograms and pap smears are not slush. They are basic,  
184 routine and often lifesaving services for women. Cutting  
185 funding for prevention programs like breast and cervical  
186 cancer screening now will only lead to increased cost down  
187 the road.

188           I have to say, I am really disappointed that some of my  
189 colleagues continue to claim that the CDC funds or the Prevention  
190 funds are used to spay and neuter dogs. They are not. HHS  
191 has confirmed it. Yet the same talking point that was used  
192 in committee making this claim was used on the Floor during  
193 the student loan debate.

194           The late Senator Moynihan said, ``Sir, you are entitled  
195 to your opinion, not your own facts,'' and Mr. Chairman, the  
196 priorities in the Republican budget are deeply flawed. They  
197 do not reflect the priorities of everyday Americans.

198           While I believe the focus of this hearing is misplaced,  
199 I still hope that we can have a serious discussion about  
200 reducing our deficit without hurting the programs that  
201 benefit low-income families, children, seniors and  
202 individuals with disabilities.

203           I yield back the balance of my time.

204           [The prepared statement of Ms. Schakowsky follows:]

205 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
206 Mr. {Stearns.} I thank the gentlelady.

207 I have here the recovery.gov website that confirms that  
208 the spray and neuter and wellness clinics for cats and dogs  
209 have been received in zip codes with higher rates of animal  
210 nuisance reports. And also, it was included in the  
211 Department of Health and Human Services as part of the Metro  
212 Public Health Department's Community Putting Prevention to  
213 Work campaign.

214 With that I look at the chairman emeritus of the full  
215 committee, the gentleman from Texas, Mr. Barton.

216 Mr. {Barton.} Thank you, Mr. Chairman, for holding this  
217 hearing along with the ranking member, Ms. DeGette.

218 Department of Health and Human Services is an agency  
219 that spends over a trillion dollars. A trillion dollars is  
220 more than the entire federal budget spent the first year I  
221 was in Congress in 1985. A trillion dollars is more than the  
222 total GDP of almost every nation in the world. A trillion  
223 dollars is so much money that we can't even get our hands on  
224 it. It is obvious that HHS can't their hands on managing it  
225 either.

226 The Inspector General at HHS declined to testify,  
227 admitting to subcommittee staff that the Department was so  
228 big and their resources so constrained that they have to

229 focus everything they are doing on two programs, obviously,  
230 the two biggest, Medicare and Medicaid. Obviously, HHS has a  
231 huge mission to protect the health of the American people.  
232 This is a daunting challenge. Having said that, it doesn't  
233 mean that we just throw up our hands and throw money at the  
234 problem. There are over 80,000 employees at HHS. There are  
235 about 40,000 cardiologists and neurologists in this country,  
236 so we have two HHS two bureaucrats for every cardiologist and  
237 neurologist that are actually trying to provide health  
238 services to the American public.

239         President Obama has talked a good game about trying to  
240 manage the agencies better but HHS is one of the agencies  
241 that when the President specifically directed that certain  
242 steps be taken to eliminate waste, fraud and abuse and to cut  
243 overhead, HHS didn't provide a program, didn't even attempt  
244 it.

245         So Mr. Chairman, here we have an agency that has a huge  
246 mission, admittedly, but their answer to ever problem is to  
247 create more bureaucracy that is more unmanageable and more  
248 uncontrollable. Hopefully this subcommittee on a bipartisan  
249 basis will first determine what the facts are and then  
250 perhaps we can get with the Health Subcommittee and start  
251 some sort of a reauthorization to put into statute some of  
252 the things that need to be done.

253 With that, I thank the chairman.

254 [The prepared statement of Mr. Barton follows:]

255 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
256 Mr. {Stearns.} I thank the gentleman.

257 The gentleman from Texas, Dr. Burgess, is recognized for  
258 2 minutes.

259 Dr. {Burgess.} I thank the chairman for the  
260 recognition.

261 We are today focusing in the discretionary budget  
262 authorities within Health and Human Services, and recognize  
263 it represents almost a quarter of all federal outlays.  
264 President Obama has proposed \$76 billion in discretionary  
265 spending for fiscal year 2013 in Health and Human Services.

266 Now, both as an agency working on public health and  
267 administering public health programs, it has got to be, it  
268 has to be the center of universe in government integrity  
269 efforts. If we cannot get it right at HHS, where can we get  
270 it right? And if we get it right at HHS, everything else  
271 looks easy by comparison.

272 On November 14, 2011, the Inspector General of Health  
273 and Human Services, Inspector General Levinson, notified  
274 Secretary Sebelius that an independent audit of Health and  
275 Human Services' fiscal year 2011 financial statements found  
276 that ``weaknesses continue to exist in financial management  
277 systems.'' The Inspector General also confirmed that it has  
278 not done any significant recent work in looking at

279 duplicative programs within Health and Human Services.

280         So I guess we have to ask ourselves, how much fraud is  
281 enough for the government to take notice? I will tell you  
282 the answer. The answer is zero, and it must be zero, and  
283 that must be the focus at Health and Human Services, but  
284 really, the lack of internal oversight, the lack of  
285 prosecutors with a background in health care law really  
286 compromises our abilities to actually get anything done.

287         So we are comfortable with the current situation? I  
288 can't believe that we would be, and if we are not, when are  
289 we going to correct it? And that applies to the committee,  
290 both sides of the dais, and it applies to the agency,  
291 everyone from the Secretary on down.

292         Health care expenditures are going to go nowhere but up,  
293 and Health and Human Services' work in public health is going  
294 to continue to rise. Developing new and innovative  
295 approaches must make sure that every dollar is spent where it  
296 belongs, and that is delivering services to the people.

297         I yield back.

298         [The prepared statement of Dr. Burgess follows:]

299 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
300 Mr. {Stearns.} The gentleman's time has expired, and  
301 our side is complete. Oh, Ms. Blackburn. I am sorry. The  
302 gentlelady from Tennessee is recognized for 1 minute.

303 Mrs. {Blackburn.} Thank you, Mr. Chairman. I thank you  
304 for the hearing. Welcome to our witnesses. We are glad that  
305 you are here.

306 As you have heard, this is a necessary hearing. It is  
307 our fourth in a series to look at waste, fraud and abuse, and  
308 the reason we are doing this is because our constituents come  
309 to us and they let us know they are taxed too much, they are  
310 tired of it and they are frustrated with seeing the waste in  
311 our federal bureaucracies. HHS employs over 80,000 federal  
312 workers, and you do have a large portion of our budget that  
313 you are expending every day.

314 Mr. Cochran, specifically for you, I want to hear about  
315 the steps that HHS has taken to comply with the President's  
316 call for agencies to identify \$100 million worth of  
317 administrative savings nearly 2 years ago, see where you are  
318 in that process. Additionally, let us quantify generated  
319 savings from the President's Executive Order 13589 from  
320 November 9, 2011, and I want to know what is actually savings  
321 and then where you have double counted or used funds to  
322 justify your cost increases or activities.

323           Finally, after our experience with the Department of  
324 Energy and Solyndra, I have very real concerns about similar  
325 financial mismanagement at HHS as brought to our attention by  
326 Ernst and Young, and we will explore that a bit today, and I  
327 yield back.

328           [The prepared statement of Mrs. Blackburn follows:]

329 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
330           Mr. {Stearns.} I thank the gentle lady and now recognize  
331 the ranking member of the minority, Mr. Waxman from  
332 California.

333           Mr. {Waxman.} Mr. Chairman, wasteful federal spending  
334 should be eliminated. Fraud and abuse should be wiped out.  
335 I have long supported bipartisan efforts to cut spending and  
336 reduce waste and fraud. But we must recognize that HHS and  
337 the agencies contained in the department have a vital,  
338 lifesaving mission: providing health care to millions of  
339 Americans; investing in disease prevention and scientific  
340 research; keeping the food and drug supply safe. We must be  
341 smart about how we achieve savings or we put these important  
342 programs at risk.

343           Mr. Chairman, if you want to learn how to cut the budget  
344 in a sensible way, I would suggest you take a look at the  
345 work we did in the Affordable Care Act. A Democratic  
346 Congress, working with President Obama, passed into law  
347 provisions that cut waste and abuse from Medicare and  
348 Medicaid. We gave HHS important new authority and power to  
349 identify and prevent Medicare and Medicaid fraud. The net  
350 result is hundreds of billions of dollars in savings without  
351 the need to cut Medicare benefits or erode the core promises  
352 of the program.

353           Unfortunately, the cuts in the Republican budget passed  
354 by the House don't meet this standard. They take direct aim  
355 at our Nation's commitment to provide health care to seniors  
356 and our most vulnerable citizens. The Republican budget  
357 would repeal the Affordable Care Act, end the basic Medicare  
358 guarantee by turning the program into a voucher system,  
359 directly cut seniors' benefits by increasing the Medicare  
360 eligibility age, and slash funding for Medicaid, breaking the  
361 social safety net. The Republican budget would also deny  
362 coverage to 33 million Americans and allow the worst abuses  
363 of the insurance industry, like denying coverage to those  
364 with preexisting conditions, to continue, and it would cut  
365 off benefits like coverage of young adult children and  
366 closing the Part D drug donut hole that millions of Americans  
367 are enjoying today.

368           The Republican budget's Medicare cuts would eliminate  
369 the program's basic guarantees. They would increase costs  
370 for seniors, according to CBO, by up to \$2,200 per  
371 beneficiary starting in 2030. This is not holding down  
372 costs. This is simply shifting costs. And the Republican  
373 budget would increase the Medicare eligibility age from 65 to  
374 67, meaning millions of older Americans would be stuck  
375 waiting for Medicare with no employer coverage or inadequate  
376 coverage.

377           The Republican budget also cuts Medicaid by a stunning  
378 amount--\$1.7 trillion over the next decade--turning the  
379 program into a block grant and threatening access to health  
380 care for millions of low-income children, families, pregnant  
381 women, and seniors in nursing homes.

382           And Mr. Chairman, the Republican budget does more than  
383 devastate Medicare and Medicaid. FDA, NIH, CDC, and the Head  
384 Start program are all part of HHS. The Republican budget  
385 would hurt all of them. The Republican budget cuts non-  
386 security discretionary spending for all government agencies,  
387 including HHS, below levels agreed to under the Budget  
388 Control Act, by 5 percent in 2013 and by 19 percent in 2014  
389 and beyond.

390           The Republican budget lacks specific details, but the  
391 implications are clear: cuts in the FDA budget for food  
392 safety and inspection, cuts in the NIH budget for basic  
393 science research, reduced capacity for CDC to respond to  
394 emerging diseases, fewer kids who are eligible for Head  
395 Start, less money to fight Medicare and Medicare fraud.  
396 These cuts in basic health programs would be a huge mistake.  
397 They would be pennywise and pound foolish, costing our Nation  
398 more money and more in terms of human suffering than they  
399 could possibly save.

400           Mr. Chairman, I hope we can find a way to work together

401 to find bipartisan solutions to cutting waste, fraud and  
402 abuse at HHS and at other agencies in the federal government.  
403 But the Republican budget proposal is not the answer. It  
404 cuts Medicare and Medicaid, eliminates health care coverage  
405 for 30 million Americans under the Affordable Care Act, and  
406 includes devastating cuts to basic programs at FDA, NIH, CDC,  
407 and throughout HHS. I hope the Republicans will rethink that  
408 approach, and I yield back my time.

409 [The prepared statement of Mr. Waxman follows:]

410 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
411 Mr. {Stearns.} I thank the gentleman. I just remind  
412 him, we are looking at budget and spending--

413 Mr. {Waxman.} I am going to reclaim my time and say  
414 that I don't think it is appropriate for the chairman to  
415 comment on each Democratic statement. We have 5 minutes each  
416 side.

417 Mr. {Stearns.} I know.

418 Mr. {Waxman.} If somebody on your side wants to yield  
419 you time--

420 Mr. {Stearns.} Well, I appreciate what you are--

421 Mr. {Waxman.} But I do want to point out that I don't  
422 understand this business of neutering dogs. Is this an anti-  
423 abortion issue? Is it a family planning issue? Is this  
424 something where we have--is this waste, fraud and abuse?

425 Mr. {Stearns.} It certainly--

426 Mr. {Waxman.} I would like to yield to the chairman  
427 unlimited time, because I don't have the power to do that.

428 Mr. {Stearns.} Well, I have given you the brochure just  
429 to corroborate my opening statement and also to point out we  
430 are talking about budget spending concerns at HHS.

431 With that, let me introduce our witnesses. Mr. Norris  
432 Cochran, Deputy Office Secretary, Office of Budget, the  
433 United States Department of Health and Human Services; Ms.

434 Carolyn L. Yocom, Director, Health Care, U.S. Government  
435 Accountability Office; and Mr. James C. Cosgrove, Director,  
436 Health Care, U.S. Government Accountability Office. And I  
437 understand the two of you, there will be a joint statement  
438 from the two of you. Is that correct?

439 As you know, the testimony that you are about to give is  
440 subject to Title XVIII Section 1001 of the United States  
441 Code. When holding an investigative hearing such as this  
442 committee is doing, the committee has a practice of taking  
443 testimony under oath. Do you have any objection to taking  
444 testimony under oath? The chair then advises you that under  
445 the rules of the House and the rules of the committee, you  
446 are entitled to be advised by counsel. Do any of you wish to  
447 be advised by counsel? In that case, if you would please  
448 rise and raise your right hand, I will swear you in.

449 [Witnesses sworn.]

450 Mr. {Stearns.} We now welcome your 5-minute summary,  
451 and we will start with you, Mr. Cochran.

|  
452 ^TESTIMONY OF NORRIS COCHRAN, DEPUTY ASSISTANT SECRETARY,  
453 OFFICE OF BUDGET, U.S. DEPARTMENT OF HEALTH AND HUMAN  
454 SERVICES; JAMES C. COSGROVE, DIRECTOR, HEALTH CARE, U.S.  
455 GOVERNMENT ACCOUNTABILITY OFFICE; AND CAROLYN L. YOCOM,  
456 DIRECTOR, HEALTH CARE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

|  
457 ^TESTIMONY OF NORRIS COCHRAN

458 } Mr. {Cochran.} Thank you, Chairman Stearns,  
459 Representative Schakowsky, members of the subcommittee.  
460 Thank you for the opportunity to speak about the Department  
461 of Health and Human Services' stewardship of the resources  
462 provided by Congress.

463 In my role as the Budget Director at HHS, I oversee the  
464 formulation of our annual budget. I and my colleagues in the  
465 Department are committed to efficiently achieving the  
466 outcomes intended by Congress. I will keep my initial  
467 remarks brief and respectfully request that my written  
468 testimony be incorporated into the record.

469 Mr. {Stearns.} So ordered.

470 Mr. {Cochran.} I will briefly summarize key aspects of  
471 the President's fiscal year 2013 budget request for HHS  
472 including the use of unobligated balances and highlight

473 efforts to improve program performance and integrity and to  
474 achieve savings.

475         The fiscal year 2013 budget for HHS totals \$932 billion  
476 budget authority and \$941 billion in outlays. It is  
477 comprised of many types of funding including Medicare,  
478 Medicaid and other entitlements and other mandatory spending,  
479 discretionary budget authority, user fees, and funding made  
480 available through transfers, other sources such as the  
481 Prevention and Public Health Fund, and the Public Health  
482 Service Evaluation set-aside.

483         As HHS develops the annual budget request, we conduct a  
484 thorough review of our ongoing activities and eliminate or  
485 reduce funding for outdated, duplicative and low-performing  
486 programs. The HHS discretionary budget request includes more  
487 than \$2 billion in reductions and eliminations across HHS's  
488 many components. These reductions and terminations are  
489 informed by analysis of impact and performance data and the  
490 setting of priorities in a tight budget environment. These  
491 reductions are enabling HHS to propose a discretionary budget  
492 that is cut overall by \$218 ml while still making priority  
493 investments in key areas including biodefense to protect the  
494 safety of our Nation through the development of medical  
495 countermeasures, the Indian Health Service to address extreme  
496 health disparities experienced in Indian Country, and the

497 Centers for Medicare and Medicaid Services to keep up with  
498 beneficiary growth and implement the Affordable Care Act.

499 In addition, HHS proposes net mandatory savings of \$366  
500 billion over 10 years. These savings include \$303 billion in  
501 Medicare, \$56 billion in Medicaid, program integrity savings  
502 as well as mandatory investments to strengthen child support  
503 enforcement, child care and foster care, and to continue  
504 TANF-related activities.

505 In developing our annual budget, HHS with OMB also  
506 assesses whether the presence of unobligated balances enables  
507 the Department to request less funding from Congress than  
508 would otherwise be needed. For example, the budget request  
509 this year for bioterrorism and emergency preparedness assumes  
510 the use of more than \$400 million in unobligated balances to  
511 achieve our preparedness goals.

512 As HHS components execute the budget, we continually  
513 work to eliminate unnecessary costs. For instance, HHS is  
514 currently in the process of reducing our spending in targeted  
515 categories such as travel and supplies by more than \$800  
516 million.

517 HHS program and policy leaders also monitor the outcomes  
518 of the programs we administer and make needed adjustments to  
519 improve program performance. This is exemplified by regular  
520 data-driven meetings chaired by our Deputy Secretary during

521 which senior officials review progress and key next steps for  
522 achieving measurable priority goals. In the areas of program  
523 integrity and budget execution, HHS benefits from the  
524 expertise of the HHS Office of Inspector General and the  
525 Government Accountability Office. For instance, before we  
526 spent funding from the Recovery Act, we worked with our OIG  
527 colleagues to better prevent waste, fraud and abuse with  
528 those investments.

529         With respect to program integrity, we are particularly  
530 proud of a joint effort with CMS, the Office of Inspector  
531 General and the Department of Justice through which multi-  
532 agency teams of federal, State and local investigators combat  
533 Medicare fraud. Just last week, charges were made against  
534 107 individuals for their alleged participation in Medicare  
535 fraud schemes involving approximately \$452 million in false  
536 billing, which represents the largest single takedown in the  
537 history of this effort.

538         In conclusion, Mr. Chairman, thank you again for  
539 inviting me to testify about HHS stewardship of taxpayer  
540 resources. I look forward to answering your questions.

541         [The prepared statement of Mr. Cochran follows:]

542 \*\*\*\*\* INSERT 1 \*\*\*\*\*

|

543 Mr. {Stearns.} I thank the gentleman.

544 Mr. Cosgrove, your opening statement, please.

|  
545 ^TESTIMONY OF JAMES C. COSGROVE

546 } Mr. {Cosgrove.} Chairman Stearns, Ms. Schakowsky,  
547 members of the subcommittee, I am pleased to be here with my  
548 colleague, Carolyn Yocom, as you discuss budget  
549 considerations at HHS, which is responsible for both  
550 discretionary spending and mandatory spending. These funds  
551 support a variety of important activities. However, the  
552 overwhelming share goes to Medicare and Medicaid, and for  
553 that reason, our remarks today focus on HHS's  
554 responsibilities for those two programs, which are  
555 administered by the Department's Centers for Medicare and  
556 Medicaid Services.

557 Over the past several years, GAO has recommended that  
558 HHS and CMS take a variety of actions to enhance agency  
559 oversight of Medicare and Medicaid and foster more prudent  
560 spending. We are pleased that many of our recommendations  
561 have been implemented, saving money for taxpayers and  
562 beneficiaries. For example, CMS saved at least \$3.4 billion  
563 over 5 years from implementing multiple recommendations on  
564 the oversight of Medicaid supplemental payments.

565 However, some of our recommendations remain unaddressed  
566 and so today we want to focus on those key recommendations

567 made within the last 6 years where HHS has not taken action  
568 or only partially addressed the recommendation. Some of our  
569 still open recommendations would help reduce improper  
570 payments and enhance payment safeguards in traditional fee-  
571 for-service Medicare. For example, we recommended that CMS  
572 require its contractors to identify potentially improper  
573 claims when billing reaches typical levels. CMS agreed, but  
574 has not implemented our recommendation. We recently noted  
575 that CMS could better screen providers to avoid enrolling  
576 those who are intent on committing fraud.

577 To enhance payment safeguards, in a 2008 report, we  
578 recommended that CMS adopt front-end approaches such as  
579 considering requiring prior authorization for certain  
580 diagnostic imaging services. Although not implemented, the  
581 President's 2013 budget does call for such an approach.

582 We also believe that HHS needs to address certain issues  
583 related to the Medicare Advantage program. Approximately one  
584 in four beneficiaries are enrolled in private health plans  
585 that participate in Medicare Advantage. These plans are  
586 popular because relative to traditional Medicare, they  
587 typically cover more services and cost beneficiaries less.  
588 However, Medicare's payments to these plans, specifically,  
589 the adjustments for beneficiaries' health status, could be  
590 improved and a billion or more dollars could be saved

591 annually. We recommended specific steps that CMS could take  
592 to better ensure the accuracy of its required payment  
593 adjustment. CMS commented that our findings were informative  
594 but it did not indicate that it would implement our  
595 recommendation.

596 We also recommended that HHS cancel its Quality Bonus  
597 Payment Demonstration for MA plans. This demonstration,  
598 estimated to cost more than \$8.3 billion, is poorly designed  
599 and unlikely to yield meaningful results. Although intended  
600 to encourage high-quality health care, most of the money will  
601 go towards plans of average quality. Moreover, because of  
602 design shortcomings, it will be nearly impossible to evaluate  
603 whether the \$8.3 billion influenced the quality of care  
604 provided. We therefore recommended that HHS cancel the  
605 demonstration and implement instead the quality bonus  
606 payments provided for by PPACA, which pays bonuses only to  
607 plans that achieve above-average quality levels.

608 Our substantial work on the Medicaid program has also  
609 resulted in numerous recommendations to improve program  
610 management, several of which remain open. For example, gaps  
611 remain in the oversight of State supplemental payments to  
612 hospitals and other providers for uncompensated care. We  
613 recommended that CMS make such payment arrangements  
614 transparent and ensure that the agency has reviewed and

615 approved these arrangements. CMS has acted on some of these  
616 recommendations. We believe additional action is warranted.

617         Several times we have reported that HHS had approved  
618 State Medicaid demonstrations that could increase federal  
619 costs despite a policy against such increases. HHS has since  
620 reported taking certain steps such as monitoring the budget  
621 neutrality of ongoing demonstrations. However, no changes  
622 are planned in the methods used to determine budget  
623 neutrality and ensure the federal government's financial  
624 liability is not increased.

625         CMS has been inconsistent in reviewing States' rate  
626 setting for compliance with Medicaid managed care actuarial  
627 soundness requirements. In 2010, we found that one State  
628 received billions of federal dollars that had not been  
629 certified by an actuary, and another State's rates hadn't  
630 been fully reviewed since the requirements went into effect.  
631 We recommended that CMS improve its oversight of State rate  
632 setting, and while HHS agreed with the recommendations and  
633 has taken steps to improve its oversight, it has not yet  
634 completed actions that would ensure the quality of the data  
635 or develop guidance for reviewing the rates.

636         In conclusion, given the size and scope of the programs  
637 for which it is responsible, HHS must be vigilant in seeking  
638 ways to reduce spending, prevent improper payments and

639 improve the efficiency of operations. We look forward to  
640 working with this committee to help the Department further  
641 advance its performance and accountability. We are happy to  
642 answer any questions you might have.

643 [The prepared statement of Ms. Yocom and Mr. Cosgrove  
644 follows:]

645 \*\*\*\*\* INSERT 2 \*\*\*\*\*

|  
646 Mr. {Stearns.} Thank you.

647 And with that, I understand, Ms. Yocom, you are here to  
648 assist if we have any questions. You are sort of a detail  
649 expert?

650 Ms. {Yocom.} That is correct.

651 Mr. {Stearns.} Let me start by, Mr. Cochran, I think  
652 you just heard Mr. Cosgrove indicate in his opening statement  
653 many things that he indicated he has recommended you have not  
654 done. Isn't it true that the President has committed to  
655 conducting an exhaustive line-by-line item in the spending  
656 budget to reduce unnecessary waste, fraud and abuse? Isn't  
657 that true? Yes or no.

658 Mr. {Cochran.} Yes. We go through an exhaustive review  
659 each year.

660 Mr. {Stearns.} And the idea was to increase, you know,  
661 efficiency and to overall provide ways to do better with  
662 less. I think that was the idea, and in fact, that is what  
663 the GAO had indicated to you, that we want to do more with  
664 less. I think we have a hard realizing--the statistics I  
665 gave you this morning in my opening about the huge number of  
666 employee increase and the amount of money you have got, it  
667 doesn't appear that you are actually doing more with less.  
668 And when I hear Mr. Cosgrove talk, he noted that they have

669 implemented some of the recommendations but not all the GAO  
670 recommendations to conserve HHS funds and strengthen the  
671 oversight of the program. So I guess the question is, why  
672 haven't you implemented many other detailed recommendations  
673 that he mentioned including one that caught my eye was  
674 dealing with bonuses that he brought to bear on your watch.  
675 So I guess the main question is, considering what we see  
676 here, for instance, canceling the MA Quality Bonus Payment  
677 Demonstration program. Why haven't you implemented all the  
678 other things that he suggested?

679 Mr. {Cochran.} Well, CMS has leadership for managing  
680 Medicare and Medicaid, and as we heard, has made a number of  
681 the things. We have also incorporated a number of  
682 recommendations and findings in our annual budget request  
683 such as in the area of medical devices. We are finding  
684 efficiencies through identifying discretionary programs--

685 Mr. {Stearns.} No. The question is, why haven't you  
686 implemented the other recommendations? You have implemented  
687 some, is what Mr. Cosgrove said, but the ones he outlined,  
688 why haven't you done those?

689 Mr. {Cochran.} There are--

690 Mr. {Stearns.} You don't have the money?

691 Mr. {Cochran.} Well, there are different reasons.

692 Again, this is managed principally by CMS at the operating

693 division level. In some cases, it could be an issue of  
694 whether or not they have existing authorities. In other  
695 cases CMS continues to work with and talk to GAO.

696 Mr. {Stearns.} Okay. So you are working on them? Is  
697 that what you are saying?

698 Mr. {Cochran.} In a number of areas.

699 Mr. {Stearns.} Now, canceling the MA Quality Bonus  
700 Payment Demonstration, there is an estimate, it could save \$8  
701 billion over 10 years. Are you familiar with that  
702 recommendation?

703 Mr. {Cochran.} I am familiar with the--

704 Mr. {Stearns.} Is there a reason why you didn't  
705 implement that recommendation from the GAO?

706 Mr. {Cochran.} The Secretary, as she has testified to  
707 the House, has indicated that HHS has made a policy decision  
708 to continue that demonstration.

709 Mr. {Stearns.} Even though the GAO said it should be  
710 canceled, you have agreed to override their recommendation.  
711 Is that true?

712 Mr. {Cochran.} The position of the Department as  
713 articulated by the Secretary is to continue--

714 Mr. {Stearns.} So you are going to override their  
715 recommendation? I understand. I just want to understand  
716 that if they make a recommendation you don't agree with, you

717 are just not going to implement it.

718 I have a slide here that if possible I would like to  
719 bring out. The number of full-time equivalents, or FTEs, at  
720 HHS has been rising over the past several years. Is that  
721 true? Yes or no. I mean, you just confirmed to us that the  
722 budget continues to grow as does the number of full-time  
723 equivalent employees. In fact, the President's request of  
724 Congress for HHS funding from year to year continues to rise.  
725 Isn't that true?

726 Mr. {Cochran.} The areas where we have had FTE growth  
727 are principally in the Food and Drug Administration, which is  
728 funded both by budget authority provided by the Congress and  
729 by user fees from industry as well as the Indian Health  
730 Service, which provides direct medical care to Indian Country  
731 and those populations.

732 Mr. {Stearns.} Mr. Cochran, the HHS was apparently  
733 absent from the list of the 15 agencies that were heeding the  
734 President's April 2009 order to Cabinet secretaries to  
735 identify a combined \$100 million in budget cuts by July 2009.  
736 Wasn't that true that you were absent from that?

737 Mr. {Cochran.} HHS identified savings in two areas.  
738 That process is managed by OMB. You are correct that it was  
739 not carried in that memo. The two areas at HHS identified  
740 subsequent to the delivery of the memo are in data centers

741 where we have consolidated data centers in CDC and FDA  
742 starting in fiscal year 2009, and the migration from paper to  
743 electronic filing principally in FDA but as well as CDC and  
744 ACF.

745         Mr. {Stearns.} Well, I think you can realize from this  
746 standpoint, it just seems odd that given the President has  
747 instructions in April 2009 in his first major attempt to  
748 demonstrate a serious effort to cuts budgets and to  
749 streamline federal spending and at the same time HHS was  
750 apparently absent from the list of the 15 agencies that were  
751 heeding the President's April 2009 order to Cabinet  
752 secretaries. So we just find that a little puzzling.

753         And my time is expired. I recognize the ranking member,  
754 Ms. Schakowsky.

755         Ms. {Schakowsky.} Thank you, Mr. Chairman.

756         I would like to ask the witnesses some questions about  
757 Medicare's fraud prevention efforts. Reducing fraud has been  
758 an Obama Administration priority, and we are seeing  
759 significant taxpayer savings as a result of these efforts.  
760 The Administration's antifraud efforts recovered a record  
761 \$4.1 billion, taxpayer dollars, last year. It is the second  
762 year in a row for a new record. The Administration has  
763 recovered a total of \$10.7 billion over the past 3 years.  
764 Prosecutions are way up from 797 in fiscal year 2008 to 1,430

765 in fiscal year 2011, a more than 75 percent increase. So the  
766 Affordable Care Act gives HHS a broad range of new tools to  
767 reduce waste, fraud and abuse, a national screening program,  
768 and I heard Mr. Cosgrove talk about pre-screening for  
769 providers, enhanced screening for providers in high-risk  
770 areas like durable medical equipment and home health care,  
771 required disclosure of prior association with delinquent  
772 providers and suppliers, onsite visits as part of the  
773 enrollment process, new CMS powers to enact a moratorium on  
774 enrolling new providers, and new funding to fight fraud.

775 So Mr. Cochran, can you offer some perspective on these  
776 new tools and how will they help CMS cut fraud?

777 Mr. {Cochran.} Yes. As you know, this has been a major  
778 area of focus for the Administration. The number of  
779 recoveries has increased dramatically, as you note, in the  
780 last 3 years alone totaling \$10.7 billion. Some of the  
781 authorities that CMS is now using that come specifically from  
782 the Affordable Care Act include efforts to create risk-based  
783 screening process for new and enrolling providers. Also,  
784 importantly, CMS now has the express authority to suspend  
785 payments to a provider or supplier pending an investigation  
786 wherever there is a credible allegation of fraud. In  
787 addition, the Act, for example, requires face-to-face  
788 encounters between patients and practitioners prior to a

789 physician certifying eligibility for Medicare's home health,  
790 and the Act also provides resources that are available to CMS  
791 and our Office of Inspector General where we partner with the  
792 Department of Justice in our health care fraud and abuse  
793 control areas.

794 Ms. {Schakowsky.} Mr. Cosgrove, would you agree that  
795 these new authorities under the Affordable Care Act will help  
796 HHS fight fraud?

797 Mr. {Cosgrove.} With your permission, I would like to  
798 see if Carolyn Yocom could address the question. Carolyn is  
799 an expert both on the Medicare program on the overall program  
800 integrity efforts.

801 Ms. {Yocom.} Good morning. We would agree that there  
802 is more work for CMS to be done and some elements of PPACA do  
803 help provide the aspects of improvement. Our three areas  
804 where we would suggest that CMS continue to work have to do  
805 with the provider enrollment, making sure that those  
806 enrollments are strengthened and that there is core elements  
807 for provider compliance in place.

808 A second area would be looking at post-payment claims  
809 review and also pre-payment claims review, which prevents the  
810 money from even going out the door until it is certain that  
811 it should. We have ongoing work in those areas.

812 And then lastly, to look at weaknesses within

813 identifying known vulnerable areas, and again, we have  
814 ongoing work in this area that we expect to be reporting on.

815 Ms. {Schakowsky.} Thank you.

816 The CBO has estimated these changes will save more than  
817 \$7 billion over the next 10 years, so clearly, and I think  
818 that CMS agrees, more needs to be done, but would you say  
819 that what is happening right now is a step in the right  
820 direction?

821 Ms. {Yocom.} Yes, it is a step in the right direction.  
822 We have not done work looking at the savings. That is CBO's  
823 jurisdiction.

824 Ms. {Schakowsky.} And Mr. Cochran, in your testimony,  
825 you noted something that many of us saw on the news just last  
826 week, 107 people were charged in a \$450 million Medicare  
827 fraud scheme, the largest Medicare fraud ever. What can you  
828 tell us about the Administration's efforts that resulted in  
829 this bust?

830 Mr. {Cochran.} Well, one key aspect in this effort is,  
831 it is a collaboration between HHS and the two components,  
832 principally being the Centers for Medicare and Medicaid  
833 Services and our Office of Inspector General, and the  
834 Department of Justice. Another key aspect is that it  
835 involves both taking intelligence from headquarters but also  
836 importantly, focusing with agents and experts on the ground

837 in nine key areas, strike forces, they are called, in higher  
838 risk areas and that has enabled HHS and DOJ to really step up  
839 enforcement by having more direct involvement where we face  
840 the greatest amount of fraud.

841 Ms. {Schakowsky.} Mr. Chairman, I know my time is up,  
842 but I went out on a drive-around with the strike force and I  
843 would recommend that it is very worthwhile for members in  
844 those areas to do that. Thank you.

845 Mr. {Stearns.} The gentlelady's time is expired.

846 Mr. Terry from Nebraska is recognized for 5 minutes.

847 Mr. {Terry.} Thank you, Mr. Chairman.

848 Continuing with you, Mr. Cochran, so I better understand  
849 our efforts on waste, fraud and abuse, there is nothing that  
850 frustrates our constituents more than abuse of something so  
851 sacrosanct as our Medicare and Medicaid programs.

852 Especially, seniors really feel cheated when somebody is  
853 stealing from the program. They feel like they have been  
854 stolen from. Of course, there are different levels. There  
855 is outright fraud, there is improper payments, which may not  
856 be fraud but still payments that shouldn't have been made.

857 So I want to break this up into a couple different  
858 areas. First of all, on page 2 of your statement, Mr.  
859 Cochran, when I was reading it, you mentioned that you seek  
860 opportunities or the agency seeks opportunities to make

861 investments that will yield greater returns in the future  
862 such as the Health Care Fraud and Abuse Control program that  
863 has returned over \$20 billion to the Medicare trust fund  
864 since 1997 and then has a return of investment of 7.2 to 1  
865 but yet we are hearing today from statements that there has  
866 been hundreds of billions saved in the last 2 years and \$42  
867 billion saved over the last 2 years. So that begs the  
868 question of whether there are more health care fraud and  
869 abuse control programs that weren't referenced in your  
870 statement.

871       Mr. {Cochran.} The initial description of recoveries to  
872 the trust funds including the \$10 billion over the last 3  
873 years is in reference to the work that we are doing with DOJ  
874 in health care fraud and abuse. The larger numbers, if I  
875 understand your question, relate to not necessarily fraud and  
876 abuse. Some of the savings in the 2013 budget as well as the  
877 Affordable Care Act relate to fraud and abuse. Others are  
878 reductions in payments again often informed by GAO's analysis  
879 as well as efforts to improve quality.

880       Mr. {Terry.} It is reduced payments. Is that an issue  
881 of correcting improper payments? Because reduction just  
882 means you are paying somebody less.

883       Mr. {Cochran.} Well, in the area of improper payments,  
884 there can be--

885 Mr. {Terry.} No, I am just asking for further  
886 clarification when you said that those further savings came  
887 from reductions of payments. I want to know if those were  
888 improper payments that were pulled back or just simply a  
889 reduction like a doctor was paid \$48 instead of \$50.

890 Mr. {Cochran.} I see. Yes. My reference to reduced  
891 payments relates to areas where CMS, GAO, in some cases OIG,  
892 and we also work closely with Office of Management and Budget  
893 in this area where we have found that reimbursements are sort  
894 of out of balance or exceed what should, you know, arguably  
895 be provided for the level of service and so through  
896 legislative changes and budget proposals, those  
897 reimbursements are--

898 Mr. {Terry.} Well, let us follow up on that, Mr.  
899 Cosgrove. GAO has designated Medicare and Medicaid as high-  
900 risk programs due to their susceptibility for improper  
901 payments estimated to be about \$65 billion in fiscal year  
902 2011.

903 Mr. Cosgrove or Ms. Yocom, does HHS appear to be doing  
904 everything it can to address the enormity of the improper  
905 payments issue?

906 Ms. {Yocom.} There is always more to do. Any improper  
907 payment rate that is as high as it is right now, there is  
908 more work to be done.

909 Mr. {Terry.} Specifically then, can you outline what  
910 their efforts have been in the last 2 years?

911 Ms. {Yocom.} I can give you a general sense of some  
912 places where CMS has moved forward. They have strengthened  
913 some elements of their provider enrollment. They have  
914 designated risks across the levels of providers so they have  
915 a sense of who to keep the best eye on.

916 Where they need to do more work has to do with  
917 fingerprinting those providers, making sure that there are  
918 final regulations to ensure disclosure, and then also some  
919 core elements for provider compliance programs. That would  
920 allow them to strengthen more. That is one example.

921 Mr. {Terry.} I am just confused. If I could have  
922 another 5 seconds? Fingerprint our providers? Our doctors  
923 have to be fingerprinted to be reimbursed?

924 Ms. {Yocom.} For criminal background checks.

925 Mr. {Stearns.} The gentleman from Texas, Mr. Barton, is  
926 recognized for 5 minutes.

927 Mr. {Barton.} Thank you, Mr. Chairman.

928 We have all seen the reports in the last several months  
929 about some of these abuses of public funds, the GSA and their  
930 trips to Las Vegas, the Secret Service and their escapades in  
931 South America. We all hope that those are exceptions and not  
932 the rule, that not everybody in the government behaves that

933 way.

934           But I look at HHS, and by the admission of the Inspector  
935 General, he doesn't phrase it quite this way but it is an  
936 agency that is almost not controllable because it is so big.  
937 So this subcommittee hopefully on a bipartisan basis is going  
938 to begin a process to determine what, if anything, can be  
939 done if we need to change statutory authority to regain  
940 control. Staff has indicated to me that at HHS, this is just  
941 a small example but it is big enough to have significance,  
942 that not just the travel budget at HHS but that the  
943 international travel budget is between \$56 and \$67 million  
944 per year, and then it has gone up 15 percent between fiscal  
945 year 2009 and fiscal year 2011. Why in heaven's name, Mr.  
946 Cochran, would international travel be over \$50 million a  
947 year and why would it be going up 5 to 10 percent a year?  
948 International. This is health domestically, Health and Human  
949 Services domestically.

950           Mr. {Cochran.} The travel in 2011, as you noted, is \$65  
951 million. It was \$57 million in 2010, \$67 million in 2009.  
952 So relative to 2009, it is down just a little bit. But more  
953 to your question, the areas within HHS where there is the  
954 greatest amount of international travel are the Centers for  
955 Disease Control and Prevention, which operates directly  
956 funded programs in HIV/AIDS as well as global immunization

957 areas like polio as well as executes on behalf of the  
958 Department of State major portions of the President's  
959 emergency plan for AIDS relief.

960           The second primary areas for international travel  
961 include the National Institutes of Health that do scientific  
962 work globally as well and the Food and Drug Administration.

963           Mr. {Barton.} Could we invite those people to the  
964 United States and have them pay their dime to come see us  
965 since we are the experts? Do we have to go overseas? I  
966 understand there needs to be some. I am not saying zero.  
967 But, you know, if the international travel budget is \$50  
968 million a year, it is good to know that it has gone down a  
969 little bit. Do you happen to know what the Secretary's  
970 travel budget is?

971           Mr. {Cochran.} I do not. We would be happy to get back  
972 to you on that. The Office of the Secretary overall has, you  
973 know, a smaller travel budget, and especially international  
974 travel budget. Within the Office of the Secretary, the main  
975 travel costs are Office of Global Affairs, which again in  
976 partnership with CDC, NIH and FDA helps implement some of our  
977 Congressionally funded international missions, but I don't  
978 know off the top of my head what--

979           Ms. {Schakowsky.} Would the gentleman yield for one  
980 sentence?

981 Mr. {Barton.} Sure.

982 Ms. {Schakowsky.} The CDC and the FDA have both made  
983 clear, their travel budgets are down compared to those of the  
984 second term of the Bush Administration, so the trajectory is  
985 correct.

986 Mr. {Barton.} Well, that is good information. Let us  
987 keep it going that way. Let us keep the trend going. That  
988 is good to know.

989 I have got one minute left. This is a standard question  
990 that I ask every agency that comes before us. Mr. Cochran,  
991 can you tell me of the 80,000 employees at HHS, how many of  
992 them have a government credit card?

993 Mr. {Cochran.} I do not have that information with me  
994 or off the top of my head, but we would be happy to get back  
995 to you.

996 Mr. {Barton.} Do you have a government credit card?

997 Mr. {Cochran.} I was--yes, I was issued a credit card.  
998 I myself don't travel, it is not in the nature of my work, so  
999 I haven't used it for quite some time.

1000 Mr. {Barton.} So you have one but you don't use it?

1001 Mr. {Cochran.} I don't use it often. That is correct.

1002 Mr. {Barton.} Well, if you have it, you should be  
1003 allowed to use it.

1004 Mr. {Cochran.} I just--

1005           Mr. {Barton.} I want the record to show, I have a  
1006 government credit card issued to me by the United States  
1007 Congress for travel, and I use it to put gasoline in my  
1008 leased vehicle and I use it, as he said, on occasion when I  
1009 travel domestically outside my district for airfare or hotel.  
1010 I am not saying it is illegal or immoral to have one but I am  
1011 saying that we ought to have an accountability protocol, and  
1012 most of the federal agencies tend to issue them fairly  
1013 liberally and tend not to oversee them, if at all. That is a  
1014 standard question.

1015           My time is expired, Mr. Chairman. I yield back.

1016           Mr. {Stearns.} I thank the gentleman, and the  
1017 gentlelady from Tennessee, Ms. Blackburn, is recognized for 5  
1018 minutes.

1019           Mrs. {Blackburn.} Thank you, Mr. Chairman.

1020           I want to thank our witnesses for being here. I think  
1021 as you can hear from the questions that we are asking, it  
1022 does appear that HHS is now too big to control, and listening  
1023 to the GAO report certainly lends an understanding of that.  
1024 You can go look after a couple of programs but you have got  
1025 all this other spending that is going on that you can't seem  
1026 to get your hands around, as Mr. Barton said, the travel  
1027 budget, and you have to say why in this time when our  
1028 constituents are saying the federal government takes too much

1029 out of our pockets and it wastes money that we don't have and  
1030 it spends money on programs that we don't want. Certainly,  
1031 there is a disconnect between what the citizens want and what  
1032 you all thing you have the right for whatever reason you feel  
1033 entitled to spend money, the taxpayers' money.

1034 Ms. Yocom, I wanted to come to you. In reading the  
1035 testimony that you and Mr. Cosgrove had for us today, and in  
1036 looking at how you have gone into look at the payments, the  
1037 fraudulent payments, etc., in working with the States, have  
1038 you all looked at the TennCare payment structure for  
1039 Tennessee as you have audited the different states?

1040 Ms. {Yocom.} We have looked at Tennessee with regard to  
1041 the actuarial soundness requirements for Medicaid managed  
1042 care but we haven't done an intensive look at the rate-  
1043 setting methodology itself.

1044 Mrs. {Blackburn.} Okay. Thank you. I would be  
1045 interested at some point when you all do that to know if you  
1046 do look at that methodology, and since it is one of the early  
1047 waiver programs and is kind of the test case for what is now  
1048 Obamacare or managed care, I would be interested to see what  
1049 you found. I know what my experience was as a Tennessee  
1050 State senator and how the program failed to live up to what  
1051 the promises were.

1052 Going back to Mr. Terry's question, you mentioned some

1053 of the core elements that were needed for some fiscal  
1054 soundness. Are you looking at implemented new technologies  
1055 that will help with the tracking and the payments and the  
1056 disbursements and there is a way to put some more  
1057 transparency into this process? Either of you.

1058 Ms. {Yocom.} I want to make sure I understand. In  
1059 terms of the review of payments within CMS and HHS?

1060 Mrs. {Blackburn.} Correct.

1061 Ms. {Yocom.} There is, I think it is called I-IDR, IDR  
1062 and then 1-PI, one program integrity, which is a set of  
1063 electronic review systems that look at claims overall in an  
1064 attempt to combine them. This is important with respect to  
1065 Medicare and Medicaid to get those claims in one place so  
1066 they can do reviews and look for indications that there could  
1067 be improper payments.

1068 Mrs. {Blackburn.} Patterns?

1069 Ms. {Yocom.} Yes, patterns.

1070 Mrs. {Blackburn.} All right. And is that widely used?

1071 Ms. {Yocom.} It is being used on the Medicare side.

1072 Medicaid is not yet up and running. We do have  
1073 recommendations aimed at CMS putting a plan in place to make  
1074 this more broadly available.

1075 Mrs. {Blackburn.} What kind of timeline is that  
1076 installation moving forward on?

1077 Ms. {Yocom.} I think one of our--I am pretty sure that  
1078 one of our recommendations has to do with CMS developing a  
1079 timeline. I do not believe at this point they have one.

1080 Mrs. {Blackburn.} Okay. Thank you for that.

1081 Mr. Cochran, I want to come to you on the co-op program  
1082 that was established under PPACA. OMB says they expect that  
1083 the taxpayers may lose \$370 million in this program from  
1084 unpaid loans to nonprofit insurers. The estimate is that as  
1085 many as 50 percent of the loans issued under this program may  
1086 not be repaid. Are you familiar with these estimates?

1087 Mr. {Cochran.} I am not immediately familiar with the  
1088 particular numbers you cite. We have them but I am familiar  
1089 with the role and the process that OMB goes through for all  
1090 loan programs to estimate a default rate that they use as a  
1091 way of scoring the overall cost of the program. That then  
1092 enables HHS to determine the number of loans that can be made  
1093 within the appropriation that Congress provided.

1094 Mrs. {Blackburn.} Well, how can you know that you have  
1095 them but you are not familiar with them when you are talking  
1096 about a program that is expected to lose money? How can you  
1097 be so dismissive of that? I mean, does that not concern me?

1098 Mr. {Cochran.} It was not my intention to be  
1099 dismissive. I just don't want to misquote numbers that I  
1100 don't have in my head, but I do know OMB plays a key role in

1101 setting those default estimates, which then informs HHS on  
1102 the number of grants that can be made within the  
1103 appropriation that is provided.

1104 Mrs. {Blackburn.} Okay. Then let me ask you the  
1105 question this way. How does stewardship of the taxpayer  
1106 dollar figure in to the decisions, the departmental  
1107 decisions, on the loans that you are going to approve or  
1108 disapprove through this co-op program?

1109 Mr. {Cochran.} Well, we work with OMB on the  
1110 establishment of that rate to determine what the default rate  
1111 would be in order to--

1112 Mrs. {Blackburn.} So you are accepting of the premise  
1113 of default?

1114 Mr. {Cochran.} In every program, there is some portion  
1115 that for, you know, a variety of reasons--

1116 Mrs. {Blackburn.} Okay. Then let me--I am out of time.  
1117 Can I ask Mr. Cosgrove to follow up on this?

1118 Then what do--do you all have any advise for best  
1119 practices or due diligence that would help them? I find it a  
1120 little bit perplexing that I have a department with a  
1121 trillion-dollar budget. You are flying all over the world.  
1122 OMB says your loan program is set up to lose \$370 million,  
1123 and you work with them to set a default rate and it seems  
1124 like that that is kind of standard operating procedure. I

1125 am--are we missing something in this, Mr. Cosgrove? Do you  
1126 have any guidance that you would provide to him for how they  
1127 could go about not planning to fail? I want you to succeed  
1128 when you are dealing with taxpayer money but let us not plan  
1129 to fail.

1130 Mr. {Cochran.} I am leery about providing any explicit  
1131 guidance. This is something that we haven't looked at  
1132 before. We would be happy, but we haven't looked at it, so--

1133 Mr. {Stearns.} The gentlelady's time has expired.

1134 Ms. Christensen, are you ready, or do you want me to  
1135 take one more on the right side?

1136 Okay. I recognize Dr. Burgess for 5 minutes.

1137 Dr. {Burgess.} Thank you, Mr. Chairman.

1138 You know, clearly this is one of the most important  
1139 hearings we will have all year. All of this information is  
1140 important. I will never get to all the questions I have. I  
1141 am going to submit some in writing, and Mr. Cochran, I trust  
1142 that we will get those answers in a timely fashion. It is  
1143 extremely important that we do. We have got some big  
1144 decisions to make.

1145 In your testimony, you talked about unobligated  
1146 balances, and I must tell you, I am concerned about that  
1147 concept of money that was not spent for what it was intended  
1148 and now we are using it just within the agency. And the

1149 reason it concerns me is, I don't know precisely what the  
1150 discretionary appropriation was but for the past 3 years it  
1151 has been about \$60 billion to \$70 billion a year, so we are  
1152 looking at a figure around \$200 billion. You received money  
1153 in the American Recovery Act? Is that right? In the  
1154 stimulus bill?

1155 Mr. {Cochran.} HHS, yes, received--

1156 Dr. {Burgess.} How much?

1157 Mr. {Cochran.} --appropriations in the stimulus bill.

1158 The largest--

1159 Dr. {Burgess.} Well, the aggregate number. It was well  
1160 over \$100 million, was it not?

1161 Mr. {Cochran.} Yes. Some of the--the major portions--

1162 Dr. {Burgess.} Okay, \$100 million, and in the  
1163 Affordable Care Act, there was pre-program money coming to  
1164 HHS for implementation, so is it fair to say another \$100  
1165 million in the Affordable Care Act? I mean, we are looking  
1166 at half a trillion dollars in discretionary appropriations to  
1167 HHS in the last 3 years. That is to say nothing of the  
1168 mandatory money that you get to administer--to pay for the  
1169 programs at Medicare and Medicaid.

1170 So this is an enormous amount of money that this agency  
1171 has, and again, the concept of reprogramming money just  
1172 bothers me. Either that should offset your next year's

1173 appropriation or it should be paid back to the federal  
1174 Treasury to pay down the year's deficit. Why doesn't that  
1175 happen?

1176         Mr. {Cochran.} That is what we are doing with the  
1177 balances. My reference to using balances as a way to reduce  
1178 the amount of new resources requested from Congress is  
1179 specifically in areas where Congress provided them for a  
1180 purpose and we are using those balances for that purpose.

1181         Dr. {Burgess.} Here is the problem that we have. It  
1182 was pretty much in evidence on this travel question that came  
1183 up. Look, I get the fact that if the CDC did not go over to  
1184 Geneva and literally run the World Health Organization, an  
1185 outbreak of a deadly disease could be a serious problem on  
1186 American soil, so I get the fact that that is important. But  
1187 we have no level of detail. When we ask for your travel,  
1188 here is this volume of dollars that is given. We really need  
1189 the breakdown. How much travel was for CDC, how much was for  
1190 HRSA? HRSA has got no business going other places in the  
1191 world, so if they have an international travel item, that may  
1192 be a red flag that this committee would want to know. And I  
1193 am not picking on you because this has been a historic  
1194 problem in Health and Human Services and the EPA, trying to  
1195 get the level of detail in a budget, a balance sheet, that  
1196 any private corporation could provide us if we were to ask it

1197 of them. You guys can't do it, and I have this discussion  
1198 with Mr. Larsen at CCIIO. We need a level of detail when we  
1199 ask for budgetary information, so I am going to ask you, I  
1200 don't expect you to have it today but I am going to ask you  
1201 for the budgetary, the line item budgetary information on  
1202 these reprogrammed or unobligated funds and whether they were  
1203 stimulus monies, PPACA monies or just regular discretionary  
1204 appropriation monies because, again, we can't know how to  
1205 help you until we really understand where the problems are.

1206 Now, Ms. Yocom, you made a statement about the improper  
1207 payment rate as high as it is now. How many dollars are we  
1208 talking about in this improper payment rate?

1209 Ms. {Yocom.} I am not sure I can give you a specific--

1210 Dr. {Burgess.} Well, get one for me because I would  
1211 like to have it, because this improper payment rate makes a  
1212 big difference. We are struggling with what to do with the  
1213 Sustainable Growth Rate formula. We would like to be able to  
1214 offset that. If there is a 10-year budgetary window that  
1215 equals or surpasses the amount of money it would take to  
1216 place the Sustainable Growth Rate, we could solve a huge  
1217 problem in Medicare, a huge problem for HHS. Why can't we  
1218 have that information so we can solve that?

1219 Now, you referenced also the concept of, or I guess, Mr.  
1220 Cosgrove, it was you when you talked about a red flag when

1221 billing reaches atypical levels. Did I hear you right when  
1222 you said that?

1223 Mr. {Cosgrove.} That is correct.

1224 Dr. {Burgess.} So in other words, when the money going  
1225 out the door is just clearly a red flag or an outlier, CMS  
1226 should be able, or HHS should be able to say uh-oh, we have  
1227 got a problem here. Is that correct?

1228 Mr. {Cosgrove.} That is correct. I mean, we are  
1229 recommending that they have--they increase their ability to  
1230 look for patterns so that--

1231 Dr. {Burgess.} Okay. Here is a pattern for you. More  
1232 money spent on cosmetic braces in the State of Texas in  
1233 Medicaid dollars than the rest of the country combined. How  
1234 is that not a red flag? What are all these great metrics  
1235 that have been put in place and you didn't catch this? This  
1236 was 2 or 3 weeks ago. I mean, these guys are laughing at  
1237 you. You have got to do a better job with this.

1238 I know my time is expired, Mr. Chairman. I hope we will  
1239 have an opportunity to go to a second round because this  
1240 information is so critical, but I know Ms. Christensen just  
1241 got here so I will yield back.

1242 Mrs. {Blackburn.} [Presiding] The gentleman yields  
1243 back.

1244 Ms. Christensen, you are recognized for 5 minutes.

1245 Dr. {Christensen.} Thank you, Madam Chair.

1246 We all recognize that we are in fiscally challenging  
1247 times and the responsibility to ensure that we are making  
1248 financially sound decisions is shared by all of us. But when  
1249 it comes to health and health care, making financially sound  
1250 decisions is more complicated than just slashing budgetary  
1251 line items based on a price tag without any consideration  
1252 really given to the long- and even the short-term economic  
1253 consequences of those decisions.

1254 So Madam Chair, if we want to talk seriously about  
1255 decreasing the long-term health care spending, we should talk  
1256 about the cost controls in the Affordable Care Act and how we  
1257 can build on them. So I would like to ask the witnesses some  
1258 questions about just how we do that.

1259 Mr. Cosgrove, with a system that truly rewards doctors,  
1260 for example, for quality and which decreases financial  
1261 incentives to deliver unnecessary care, would that decrease  
1262 Medicare costs?

1263 Mr. {Cosgrove.} That is definitely the direction that  
1264 we need to be moving in. Right now, we have a system that  
1265 pays for volume of services, and the more providers do and  
1266 the more expensive services they provide, the more they get  
1267 paid, and that is the wrong incentive.

1268 Dr. {Christensen.} Right. Thank you. And the

1269 Affordable Care Act takes a big step in that direction with a  
1270 number of delivery system reforms in order to make Medicare  
1271 and in time the broader health care system pay for value. It  
1272 develops accountable care organizations so Medicare will pay  
1273 one provider to coordinate all of a senior's care rather than  
1274 paying many providers, no matter what the cost. It  
1275 experiments with bundled payments so that Medicare would pay  
1276 a lump sum for quality care rather than separately for each  
1277 treatment. Also, within the Affordable Care Act, it  
1278 implements the Independence at Home Demonstration Project to  
1279 bring home-based primary care to some of Medicare's sickest  
1280 and most frail seniors who are unable to make it to a  
1281 doctor's office.

1282         Mr. Cochran, these delivery systems reforms in the  
1283 Affordable Care Act, are they projected to reduce the growth  
1284 of Medicare expenditures?

1285         Mr. {Cochran.} Yes. The--

1286         Dr. {Christensen.} The accountable care and--

1287         Mr. {Cochran.} Yes. There are a number of quality  
1288 provisions in the Act. There are payment reforms in the Act  
1289 that are program integrity reforms that on total I believe  
1290 CBO extended the Medicare solvency from 2016 to 2024.

1291         Dr. {Christensen.} Right. In fact, the Congressional  
1292 Budget Office has estimated the Affordable Care Act will

1293 reduce the federal deficit by \$210 billion this decade and  
1294 more than a trillion in the following 10 years, and these are  
1295 significant cost savings. We should be talking about how we  
1296 can build on them instead of repealing the Affordable Care  
1297 Act as the House Republican budget does.

1298         And Mr. Cochran, can you talk about what CMS is doing to  
1299 make Medicare more efficient and save federal dollars?

1300         Mr. {Cochran.} There are a number of things that CMS is  
1301 working on. The area of quality, there is the national  
1302 initiative known as Partnership for Patients that is designed  
1303 to improve safety and reduce readmissions, which both  
1304 improves the quality of health as well as saves costs. There  
1305 is a value-based purchasing effort to reward quality and  
1306 efficiency in hospitals as well as public transparency  
1307 efforts to provide more information about quality for nursing  
1308 homes and other providers as well as accountable care  
1309 organizations that are just being launched to encourage  
1310 coordination and preventive care and bring down costs and  
1311 improve quality.

1312         Dr. {Christensen.} Thank you.

1313         These are all important steps, Madam Chair. These  
1314 reforms all have one thing in common. They save taxpayer  
1315 money and improve the quality of care without shifting costs  
1316 to seniors or eroding the core basic benefits of the Medicare

1317 program, and in this way they stand in sharp contrast to the  
1318 Republican budget. There is always a right way and a wrong  
1319 way to cut the federal budget and reduce health care costs,  
1320 and the Republican budget is exactly the wrong way.

1321         Mr. Cochran, I think I have a little more time. I  
1322 wanted to ask you another question. The Joint Center for  
1323 Political and Economic Studies released a report a couple  
1324 years ago that found that eliminating racial and ethnic  
1325 health disparities could save the Nation \$1.24 trillion in  
1326 direct and indirect medical costs over a 3-year period. In  
1327 your testimony, you mentioned that one of your many  
1328 responsibilities was to investigate a mix of investments that  
1329 would improve the health and wellbeing of the Nation in a  
1330 cost-effective manner. So given the extremely high costs to  
1331 absorb every year that racial and ethnic health disparities  
1332 are not eliminated, don't you think that the national  
1333 strategy that the Department of Health and Human Services has  
1334 developed and is implementing right now is another component  
1335 that would help to achieve the larger objective to improve  
1336 the health and wellbeing of the Nation in a cost-effective  
1337 manner?

1338         Mr. {Cochran.} Yes. The work that the Office of the  
1339 Assistant Secretary for Health and some of our key operating  
1340 divisions are doing both to develop and implement the

1341 strategy is important as is the investments that the  
1342 President's budget proposes in key areas including the Indian  
1343 Health Service that I mentioned earlier, the Ryan White  
1344 HIV/AIDS program including for drug treatment as well as a  
1345 number of programs across HRSA and CDC that target those  
1346 populations that are most vulnerable.

1347 Dr. {Christensen.} Thank you.

1348 Thank you, Madam Chair.

1349 Mr. {Stearns.} And I recognize for 5 minutes the  
1350 gentleman from Louisiana, Mr. Scalise.

1351 Mr. {Louisiana.} Thank you, Mr. Chairman. I appreciate  
1352 you having this hearing as we have had a number of hearings  
1353 on the budgets of the various agencies and things we are  
1354 trying to do to control spending in Washington, and  
1355 unfortunately, we don't have enough people in Washington that  
1356 are serious about controlling spending and that is why we  
1357 have got over a trillion-dollar deficit again, and so I think  
1358 it is important that we look at the budget and scrutinize it  
1359 and ask some of the questions that our members have been  
1360 asking.

1361 Mr. Cochran, HHS has requested a billion dollars in  
1362 additional funding to implement the President's health care  
1363 law, and that is in addition to the billion that has already  
1364 been appropriated for implementation when it was originally

1365 enacted in March of 2010. First of all, why the need for an  
1366 additional billion dollars on top of the billion that was  
1367 already in the original bill?

1368 Mr. {Cochran.} The original billion, as you know, does  
1369 include the--the original bill, excuse me, doesn't include a  
1370 billion--the Congressional Budget Office initially estimated  
1371 that it would cost roughly \$1 billion per year to implement  
1372 the Act. We have to date obligated roughly half of that  
1373 billion dollars. The 2013 budget projects using the  
1374 remainder this fiscal year in 2012 and the investment in  
1375 2013, the proposed increase within the Centers for Medicare  
1376 and Medicaid Services is to continue that effort. A major  
1377 component within that request is to launch the health  
1378 insurance exchanges, and there is a need for investments in  
1379 2013 in order to launch the exchanges in 2014 after which  
1380 time they largely become self-sustainable.

1381 Mr. {Scalise.} So where did you get this billion  
1382 dollars from? Did you just redirect it from other parts of  
1383 the HHS budget? You had a billion dollars that was literally  
1384 just lying around to go and take and move to to put in the  
1385 area of the funding for Obamacare that was under, I guess  
1386 underanticipated?

1387 Mr. {Cochran.} The original billion that was in the  
1388 Affordable Care Act or the billion--

1389 Mr. {Scalise.} The additional billion, the additional  
1390 billion dollars that has been requested.

1391 Mr. {Cochran.} So in formulating the annual budget, we  
1392 go through each operating division and we work closely with  
1393 the Office of Management and Budget to identify savings both  
1394 to reduce the deficit overall but also to fund priority  
1395 areas. We have identified roughly \$2 billion in savings  
1396 across HHS in our discretionary budget, which enabled us to  
1397 invest proposed investments in the Indian Health Service,  
1398 biodefense preparedness as well as CMS.

1399 Mr. {Scalise.} Have you all ever thought about  
1400 investing in reducing the deficit if you have got too much  
1401 money in your budget and you have gone through and you have  
1402 identified areas where you can savings? You know, because  
1403 one of the things I am looking at, the President issued an  
1404 Executive Order directing you all to establish a plan to  
1405 reduce 20 percent below 2012 levels for costs associated with  
1406 travel, employee information technology, printing, other  
1407 things, and from what we are looking at here, the quote,  
1408 unquote, savings that you identify here, it looks like you  
1409 are using those to spend in other areas to absorb cost  
1410 increases. So are you actually saving in terms of reducing  
1411 the deficit or just moving money from one area of your budget  
1412 to another area of your budget to keep spending at the same

1413 levels?

1414 Mr. {Cochran.} The President's budget includes--the  
1415 2013 President's budget includes savings of over \$300 billion  
1416 on the mandatory side by slowing the rate of growth in--

1417 Mr. {Scalise.} So not just actual cuts, you are just  
1418 slowing the rate of growth? You are not actually reducing  
1419 from prior levels?

1420 Mr. {Cochran.} It is reductions relative to the  
1421 baseline that CBO establishes and then--

1422 Mr. {Scalise.} You know, in Washington, unfortunately,  
1423 people use a different set of languages that American people  
1424 use across the country. Our small business owners, families,  
1425 you know, when they sit at their kitchen table and they say  
1426 we have to balance our budget, we have to cut because we have  
1427 less money this year, they don't say well, instead of having  
1428 a 10 percent increase, we will just spend 5 percent more and  
1429 call that a cut. They don't call it a cut. A cut means if  
1430 you were spending \$50,000 one year and you got \$45,000 the  
1431 next year, that is a cut. You don't say well, we had \$50,000  
1432 last year, we are going to get \$55,000 next year and so that  
1433 is a cut because we wanted 60. I know that is kind of chic  
1434 to use that around here but, you know, people back home don't  
1435 get it when they hear wait a minute, the agency actually has  
1436 more money and they are talking about how they reduced

1437 spending and they had less money than the proposal from the  
1438 President's request. It is still more money, and they want  
1439 to see--again, we are borrowing a trillion dollars than what  
1440 we are spending.

1441 I want to ask a couple questions as I am running out of  
1442 time. You know, I think some of the other members had asked  
1443 some questions about travel and even fleet vehicles. If you  
1444 can just get the committee the number of vehicles that you  
1445 have that are assigned to employees that they are able to  
1446 take home. Can you get the committee that number, how many  
1447 vehicles HHS has throughout the agency that are allowed to be  
1448 taken home by employees?

1449 Mr. {Cochran.} I can tell you that across HHS, our  
1450 program support center carries these statistics and reports  
1451 there are 4,900 vehicles across HHS. Those aren't all for  
1452 the purpose of, you know, executive travel or vehicles that  
1453 someone would take home necessarily. They are primarily in  
1454 the areas for movements of providers in the Indian Health  
1455 Service.

1456 Mr. {Scalise.} I am not asking you to give me the  
1457 number. If you have the number here right now, that is  
1458 great, but if you don't have the number, can you get the  
1459 committee that number, the number of vehicles that are  
1460 allowed to be taken home by employees?

1461 Mr. {Cochran.} Yeah. Well, I can tell you that we  
1462 have--

1463 Mr. {Scalise.} It is a yes or no question. I am just  
1464 asking if you can get me that number.

1465 Mr. {Cochran.} I will certainly work--I guess my only  
1466 hesitation is, I am not sure how we have the data in terms of  
1467 whether it is coded as--

1468 Mr. {Scalise.} You are not sure how many people are  
1469 taking homes vehicles?

1470 Mr. {Cochran.} No, we know that there are 4,900  
1471 vehicles. We will do our best to provide the information you  
1472 are requesting.

1473 Mr. {Scalise.} And if you can do the same thing on--we  
1474 have talked about travel a bit, you know, and looked at the  
1475 numbers on international travel. Can you give me within the  
1476 travel budget how much was spent on first-class travel?  
1477 Because there have been some outside reports that have looked  
1478 at tens of millions of dollars in cost savings we can achieve  
1479 just by having government employees when they are flying on  
1480 the taxpayer nickel to fly coach, not economy, not business  
1481 class or first class. And so if you can give me the amount  
1482 of money that is spent on either first-class or business-  
1483 class travel? Is that something you can get to the  
1484 committee?

1485 Mr. {Cochran.} We will work toward that. Travel  
1486 overall, we are reducing by 17 percent, and the vast majority  
1487 of travel is coach now. I don't know that there is much  
1488 first class or business class.

1489 Mr. {Scalise.} We have seen some outside agencies have  
1490 looked at, some outside groups have looked at this and seen  
1491 tens of millions of cost savings that they could achieve, and  
1492 I am sure your agency is one like most agencies that have the  
1493 ability to do that. I am just asking if you can get us that  
1494 information.

1495 Mr. {Stearns.} The gentleman's time has expired.

1496 Mr. {Scalise.} Thank you, Mr. Chairman. I yield back.

1497 Mr. {Stearns.} If you could accommodate him, that would  
1498 be helpful.

1499 We are going to do a second round of questioning, and I  
1500 will start out. Mr. Cochran, there is a Health and Human  
1501 Services Executive Order. It is 13589. It proposed just  
1502 under \$900 million in cuts to administrative expenses. Is  
1503 that true? Does that ring a bell?

1504 Mr. {Cochran.} Yes, sir.

1505 Mr. {Stearns.} Okay.

1506 Mr. {Cochran.} The HHS target is \$876 million.

1507 Mr. {Stearns.} Okay. And it is noted in the budget of  
1508 fiscal year 2013 that ``agencies are redirecting some savings

1509 to absorb other cost increases and fund priorities  
1510 activities.' ' Isn't that correct?

1511 Mr. {Cochran.} In some areas, our budget requests have  
1512 come down--

1513 Mr. {Stearns.} Yes or no to that statement. Is that  
1514 correct, that you in fact in your opening statement said ``We  
1515 are seeking opportunity to make investments today that will  
1516 yield greater returns in the future such as the health care  
1517 fraud and abuse control system has returned''--in other  
1518 words, what I am saying is, that you have indicated that your  
1519 agencies are redirecting some savings that you find here  
1520 elsewhere. Isn't that true?

1521 Mr. {Cochran.} In some cases, that is correct. In  
1522 other cases, we have reduced agency budgets, and that was  
1523 made possible by--

1524 Mr. {Stearns.} Okay, but in some cases--you are--okay.  
1525 So I guess what we are concerned about that are you taking  
1526 this Executive Order 13589 where you have roughly \$900  
1527 million in savings or cuts in administrative expenses, are  
1528 you considering that savings that you are redirecting  
1529 elsewhere into other government programs? Is that true? Is  
1530 that what is happening?

1531 Mr. {Cochran.} In some areas, take, for example--

1532 Mr. {Stearns.} So the answer is yes?

1533 Mr. {Cochran.} --where we are investing that--

1534 Mr. {Stearns.} So the answer would be yes? Some would  
1535 be yes, in some cases you are taking the so-called cuts and  
1536 you are funneling them into other areas and you are  
1537 considering them savings that you can use elsewhere. I am  
1538 just trying to show to the committee here that the impact of  
1539 these cuts are going to obviously be significantly less if  
1540 you take that \$876 million that you are saving in  
1541 administrative costs and you are funneling it into another  
1542 program, there won't be any savings.

1543 Let me move on to the next question. You are aware that  
1544 Health and Human Services has the most highly paid civil  
1545 servants anywhere in the federal government? Would that be  
1546 yes? Would that be true?

1547 Mr. {Cochran.} Health and Human Services is subject to  
1548 the same general schedule rules--

1549 Mr. {Stearns.} Well, let me just say, the fact is, you  
1550 have the most highly paid civil servants anywhere in the  
1551 federal government. For example, over 90 of the 100 most  
1552 highly paid civil servants anywhere in the federal government  
1553 work for Health and Human Services and these 90 are capped at  
1554 \$375,000 a year. Isn't that true? The cap is \$375,000 a  
1555 year?

1556 Mr. {Cochran.} That is in reference to a specific, what

1557 is called Title 42 authority.

1558 Mr. {Stearns.} The answer is yes, they have a \$375,000  
1559 cap. That is true. That is correct, isn't it?

1560 Mr. {Cochran.} Under one specific authority. Most  
1561 agency employees are under the--

1562 Mr. {Stearns.} And over 650 of the federal government's  
1563 1,000 highest paid civil servants work at Health and Human  
1564 Services and its component agencies. Isn't that true?

1565 Mr. {Cochran.} The majority of Title 42 employees that  
1566 are under a different authority for a different salary level  
1567 are at the National Institutes of Health and they are  
1568 scientific--they are primarily scientific positions in--

1569 Mr. {Stearns.} Well, we have them including--these  
1570 high-paid salary people are CDC, FDA, the Indian Health  
1571 Service and NIH. Isn't that true where most of these highly  
1572 paid civil servants are? Isn't that true?

1573 Mr. {Cochran.} Yeah, the largest number are at NIH.  
1574 You referenced the Indian Health Service. There are some  
1575 providers, medical doctors--

1576 Mr. {Stearns.} And in 2009, more than 530 NIH employees  
1577 appear to have earned salaries of over \$200,000 and above,  
1578 and that is more than the President's own Cabinet. Isn't  
1579 that true?

1580 Mr. {Cochran.} Under this particular authority, the

1581 vast majority of HHS employees are under the same system.

1582 Mr. {Stearns.} So I think the dichotomy here is that  
1583 the Cabinet officials are getting less than 530 of NIH  
1584 employees, and then if you look at the salaries of these 90  
1585 of the most highly paid, which have a cap of \$375,000, you  
1586 see that these people are getting well paid even compared to  
1587 some of their colleagues here, not to mention how they are  
1588 well paid compared to the private sector.

1589 My last area of concern here is the--let us see. We  
1590 have the Health Reform Implementation Fund. The President  
1591 proposed an additional \$1 billion in discretionary funding  
1592 for the implementation of the PPACA through the Center for  
1593 Consumer Information and Insurance Oversight at CMS. As of  
1594 January 31st, we have some figures here that stop at January  
1595 31, 2012. I guess the question is, can you update this graph  
1596 to take us up further beyond January 31st?

1597 Mr. {Cochran.} Yes, sir.

1598 Mr. {Stearns.} Okay. Mr. Cochran, how has CMS used its  
1599 resources from the implementation fund since January? Can  
1600 you tell us that? Although we don't have the data, can you  
1601 just maybe bring us up to speed on how much of the fund  
1602 remains?

1603 Mr. {Cochran.} The fund is--of the billion, \$471  
1604 million has been obligated as of February 29th. Some of that

1605 is for personnel. More of it is for contractual services and  
1606 the expenditures have been for closing the Part D coverage  
1607 gap, one of the key provisions in the Act, as well as  
1608 developing the new value-based purchasing models for Medicare  
1609 providers that we talked about earlier as well as helping  
1610 plan and prepare for the establishment of the State and  
1611 federal exchanges.

1612 Mr. {Stearns.} All right. My time is expired.

1613 Ms. Schakowsky is recognized for 5 minutes.

1614 Ms. {Schakowsky.} I wanted to just set the record  
1615 straight on a couple of things.

1616 Regarding the salaries under the Title 42 program, Dr.  
1617 Harold Varmus, the Director of NIH under the Bush  
1618 Administration, who now runs the Sloan-Kettering Cancer  
1619 Center, said, ``If we don't pay enough to keep the best, we  
1620 condemn ourselves to mediocrity.'' So my understanding, Mr.  
1621 Cochran, is, we are trying to at least keep competitive to  
1622 hire scientists that are required to have doctoral degrees in  
1623 order to receive those high salaries. Is that not true?

1624 Mr. {Cochran.} Yes.

1625 Ms. {Schakowsky.} I also wanted to put into the record,  
1626 Mr. Chairman, this is an article from Healthwatch, the Hill's  
1627 health care blog, ``House Republicans who say taxpayer funds  
1628 went to spay and neuter dogs in Nashville have the story

1629 wrong. There was a spay and neuter clinic but it was funded  
1630 by a Touchmark charities grant to the Nashville Humane  
1631 Association,' ' said Alisa Haushalter, whose job includes  
1632 directing a federally funded program in the city known as the  
1633 CPPW. That is the one you were referring to here.

1634 So maybe the entire program--it says, ``As a partnering  
1635 agency, we would have had staff members that were there  
1636 greeting people at the event and so forth but the funding was  
1637 not from us.'' So I would like to put that in the record.

1638 Mr. {Stearns.} By unanimous consent.

1639 [The information follows:]

1640 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
1641           Mr. {Stearns.} We will also, if you have no objection,  
1642 put in these two flyers that I have given you, the one on the  
1643 temporary veterinarian clinic initiative as funded in part by  
1644 the Department of Health and Human Services as part of the  
1645 Metro Public Health Department's Community Putting Prevention  
1646 to Work campaign, which shows and corroborates that, together  
1647 with these two web pages, which also corroborate. We will  
1648 put both of them in by unanimous consent.

1649           Ms. {Schakowsky.} Okay.

1650           [The information follows:]

1651 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
1652 Mr. {Stearns.} So ordered.

1653 Ms. {Schakowsky.} I wanted to talk about the Republican  
1654 budget priorities and women. From Medicare and Medicaid to  
1655 the Prevention and Public Health Fund, HHS is responsible for  
1656 programs that millions of women rely on for critical health  
1657 care needs, and I want to talk about some of the drastic  
1658 changes to these programs that my Republican colleagues have  
1659 recently endorsed through the budget and appropriations  
1660 process.

1661 The House Republican budget would turn Medicaid into a  
1662 block grant, repeal the important new benefits under the  
1663 Affordable Care Act and cut federal funding for Medicaid by a  
1664 staggering \$1.7 trillion over the next decade.

1665 Mr. Cochran, am I correct that Medicaid covers more than  
1666 40 percent of all births in the United States?

1667 Mr. {Cochran.} I don't have that statistic with me but  
1668 that sounds roughly correct.

1669 Ms. {Schakowsky.} And so what Medicaid does is, it  
1670 offers a solution for low-income pregnant women who can't  
1671 afford private insurance by covering maternity and prenatal  
1672 care. Dramatic cuts to the program truly would have a  
1673 disastrous effect on women and their children.

1674 The Medicare program also provides important benefits

1675 for women. Mr. Cochran, am I correct that 56 percent of all  
1676 Medicaid beneficiaries are women?

1677 Mr. {Cochran.} That sounds correct. Again, I am sorry,  
1678 I do not have that data with me.

1679 Ms. {Schakowsky.} Well, the House Republican budget  
1680 ends the guarantees we have made to our seniors by turning  
1681 Medicare beneficiaries over to private insurers. It shifts  
1682 costs to seniors. In fact, CBO has said that by 2030,  
1683 beneficiaries could pay up to \$2,200 more because of these  
1684 changes, disproportionately falling on women because they  
1685 have longer life expectancies.

1686 I am looking at you, Mr. Cosgrove. Did you want to say  
1687 something in this regard?

1688 Mr. {Cosgrove.} No, I am simply acknowledging, you  
1689 know, the fact that women do tend to live longer and so  
1690 especially on the Medicare program you do expect to see more  
1691 women, more older women.

1692 Ms. {Schakowsky.} Thank you.

1693 Mr. Cochran, can you tell us the purpose of the  
1694 Prevention and Public Health Fund?

1695 Mr. {Cochran.} Yes. The Prevention and Public Health  
1696 Fund, the primary purpose is to support programs, activities,  
1697 interventions at the State and local levels to prevent  
1698 chronic disease, to reduce the use of tobacco, prevent

1699 obesity, help communities target health issues in their area.  
1700 It is also being used to support childhood immunizations as  
1701 well as some activities in the infectious disease area like  
1702 hepatitis C.

1703 Ms. {Schakowsky.} And isn't it also true that \$140  
1704 million of the fund goes toward breast and cervical cancer  
1705 screening services?

1706 Mr. {Cochran.} As proposed in the 2013 budget, the fund  
1707 will support those activities, yes.

1708 Ms. {Schakowsky.} Which would help pay for 326,000  
1709 women to get breast cancer screening and for 284,000 women to  
1710 get cervical cancer screenings and Republicans are voting to  
1711 take it away.

1712 And Mr. Chairman, I would just say this is a sad example  
1713 of how the Republican budget is dangerous for women, and I  
1714 yield back.

1715 Mr. {Stearns.} The gentlelady yields back.

1716 The gentlelady from Tennessee is recognized for 5  
1717 minutes.

1718 Mrs. {Blackburn.} Thank you, Mr. Chairman.

1719 And Mr. Cochran, I wanted to come back to you, if I  
1720 could. In my opening statement, I mentioned that I wanted to  
1721 hear from you regarding the steps that you all had taken to  
1722 comply with the President's call for agencies to identify

1723 \$100 million worth of savings. Are you able to articulate  
1724 that list or do you have a list?

1725 Mr. {Cochran.} Yes, we have identified--at that time we  
1726 identified savings in the area of data centers at CDC and FDA  
1727 as well as the migration from paper to electronic filing  
1728 primarily at FDA as well as at CDC and ACF. In addition, we  
1729 have subsequently identified--

1730 Mrs. {Blackburn.} Hold on just a moment there. So you  
1731 have identified CDC, FDA and the paper to electronic filing.  
1732 So what portion, how much money from each of those?

1733 Mr. {Cochran.} Well, for the President's Executive  
1734 Order in these administrative areas, we are reducing spending  
1735 by 21 percent.

1736 Mrs. {Blackburn.} And the budget was increased how much  
1737 prior to your making this reduction?

1738 Mr. {Cochran.} The 2013 budget, it is a decrease of  
1739 \$218 million. It is roughly flat on the discretionary  
1740 spending.

1741 Mrs. {Blackburn.} Your 2010 budget and the stimulus  
1742 funding was a good percentage. I will get that number for  
1743 you so that you have it. I don't have that exact number in  
1744 front of me. So if you could submit in writing the answers  
1745 to those, that list, that would be very helpful for us. We  
1746 want to be able to see what you all have done to actually

1747 make these spending reductions and to live that.

1748           One other question for you along the same line. We are  
1749 working through reconciliation looking at the sequestration  
1750 and reconciliation, so what are you all at HHS doing to  
1751 prepare for reconciliation and the reductions that are going  
1752 to come?

1753           Mr. {Cochran.} Well, prepare for reconciliation or for  
1754 sequestration? For sequestration, the Administration's  
1755 position is that the 2013 budget provides specific savings  
1756 proposals that if enacted would enable us to achieve the  
1757 reductions to the deficit without relying on sequestration.

1758           Mrs. {Blackburn.} Okay. So you feel like you are ahead  
1759 of the game?

1760           Mr. {Cochran.} Well, the President's proposals overall  
1761 including HHS and other departments would enable savings with  
1762 specific reductions--

1763           Mrs. {Blackburn.} Let us do this. Why don't you submit  
1764 in writing what you all are doing to make preparations to  
1765 meet the sequestration numbers and to meet the reductions  
1766 that we are going to continue to bring forward? May I remind  
1767 you, you are an agency that as we read your reports and as we  
1768 hear from your Inspector General, who should be here with us  
1769 today and is not, and as we listen to GAO, it is very evident  
1770 to us that you all are too big to manage. You have gotten

1771 too unwieldy. You are into areas where you should not  
1772 necessarily be. You are spending money in ways that you  
1773 should not, ought not to be spending it, and it is our  
1774 responsibility to come back and to exercise some oversight on  
1775 that. That is what we are doing here today.

1776         And I know that maybe you weren't provided all of the  
1777 information that you needed to have to handle this hearing  
1778 today but even if you were not properly given the  
1779 information, with all due respect to you, let us just be sure  
1780 that we submit all of this writing because it is something  
1781 that it is important to us. It is important to our  
1782 constituents. It is important to the hospitals and to the  
1783 providers that serve all of these individuals that walk  
1784 through their doors every day wanting health care and we come  
1785 up here and we talk to you all and we see a lot of the money  
1786 that ought to be going out there to individuals, to  
1787 enrollees, to the health care system is spun up, tied up,  
1788 wadded up over here in HHS and it is something that we want  
1789 to get our hands around and help you all be more efficient  
1790 and do a better job for the taxpayers, and I yield back.

1791         Mr. {Stearns.} The gentlelady yields back.

1792         Ms. Christensen, I am glad you are here. Thank you.  
1793 You are recognized for 5 minutes.

1794         Dr. {Christensen.} Thank you, Mr. Chairman.

1795           Before I ask my questions, Ms. Yocom and Mr. Cosgrove, I  
1796 wanted to just highlight on page 5 part of your testimony on  
1797 aligning coverage with recommendations of the U.S.  
1798 Preventative Services Task Force. I am sure you are aware  
1799 that there have been several recent recommendations coming  
1800 from that task force that not only I but others consider  
1801 questionable, and they don't take into account some of the  
1802 outlying groups like racial and ethnic minorities. For  
1803 example, in the breast cancer recommendations, black and  
1804 Jewish women are at risk for breast cancer at early ages, it  
1805 didn't seem to take that into account. And it didn't take  
1806 into account the high prostate cancer incidence in African  
1807 American men with their recent prostate screening  
1808 recommendations. So at least think that to tie reimbursement  
1809 too tightly to all of their recommendations can be harmful to  
1810 some groups in our population and will deny them access to  
1811 some needed care because they won't be able to afford it. So  
1812 I don't know how you address it but I wanted to call your  
1813 attention to that because some of their recommendations are  
1814 very questionable and really don't take into account the  
1815 entire population in the United States. Go ahead.

1816           Mr. {Cosgrove.} I just wanted to say that CMS has the  
1817 authority to consider the recommendations of the task force,  
1818 you know, when they are making coverage decisions. We didn't

1819 independently, you know--because of that authority, we didn't  
1820 independently go on and have experts that would look behind  
1821 the task force recommendations.

1822 Dr. {Christensen.} But you still recommended CMS  
1823 provide coverage for task force recommendation services, you  
1824 do say as appropriate.

1825 Mr. {Cosgrove.} Correct.

1826 Dr. {Christensen.} Okay. Thank you.

1827 But, you know, I listen to my Republican colleagues, and  
1828 HHS houses agencies that Americans rely on every day to  
1829 protect their health and keep them safe like the FDA,  
1830 National Institutes of Health, Centers for Disease Control.  
1831 The House Republican budget would result in drastic cuts and  
1832 undercut the essential functions of these agencies, and I  
1833 want to explore some of those implications of those cuts.

1834 So Mr. Cochran, my understanding is that the Republican  
1835 budget would make across-the-board cuts in discretionary  
1836 spending. Is that correct?

1837 Mr. {Cochran.} There are across-the-board cuts  
1838 associated with sequestration that CBO estimates roughly 8  
1839 percent--

1840 Dr. {Christensen.} But they are going beyond that.

1841 Mr. {Cochran.} The House budget resolution does set  
1842 spending levels not specific to HHS but government-wide that

1843 are below those established in the Budget Control Act for  
1844 2013 and 2014.

1845 Dr. {Christensen.} And I am correct that this  
1846 discretionary spending is what provides a significant amount  
1847 of budget to the agencies like the Food and Drug  
1848 Administration, NIH and our new Institute of Minority and  
1849 Health Disparities and CDC?

1850 Mr. {Cochran.} Yes. The majority of resources for our  
1851 discretionary agencies outside of the entitlements is regular  
1852 budget authority. Almost all of NIH's budget is provided  
1853 that way. FDA is supported by a combination of budget  
1854 authority and user fees.

1855 Dr. {Christensen.} So to single out just one, can we  
1856 talk about what FDA's essential functions are? Can you tell  
1857 us about what their essential functions are?

1858 Mr. {Cochran.} Yes. FDA, their mission is to protect  
1859 the public's health by ensuring the safety, the efficacy, the  
1860 security of human as well as veterinary drugs. They work on  
1861 biologics and devices. They also work to protect the U.S.  
1862 food supply. They are having new responsibility over the  
1863 regulation of tobacco products to reduce youth smoking. And  
1864 they are working to accelerate the review and approval of  
1865 medical countermeasures to protect the public against  
1866 bioterrorism attacks.

1867 Dr. {Christensen.} Right, and these cuts would  
1868 jeopardize the safety of our drugs, our vaccines and medical  
1869 services. And then at NIH, the center of U.S. medical  
1870 research, one of the greatest research institutions in the  
1871 world, but that Republican budget would mean that NIH would  
1872 have less money available for cutting-edge research into  
1873 breast cancer, HIV, Alzheimer's and others and health  
1874 disparities.

1875 So how much funding does NIH currently receive to  
1876 conduct scientific research?

1877 Mr. {Cochran.} NIH's budget is \$30.7 billion.

1878 Dr. {Christensen.} Thank you. And we know that that  
1879 money is well spent. As a matter of fact, I believe it is  
1880 level funded in 2013 and that does not allow them to really  
1881 make the kinds of research investments that they need. Their  
1882 studies have led to development of the MRI, how viruses cause  
1883 cancer, the mapping of the human genome with all that is  
1884 going to lead to, and they boost our economy through medical  
1885 breakthroughs. According to one study, for every dollar of  
1886 public funding for scientific research, the drug industry  
1887 gets a \$3 return. So deep cuts to NIH would be an  
1888 irresponsible fiscal decision.

1889 So I appreciate your helping to explain the impact of  
1890 the Republican budget, not just on Medicare and Medicaid but

1891 on other important government programs. So thank you for  
1892 your testimony and your answers.

1893 Mr. {Stearns.} I think to the gentlelady, I would say  
1894 that we are trying to control the budget. We will have to do  
1895 some cost cutting somewhere if we are going to do that.

1896 The gentleman from Texas, Dr. Burgess, is recognized for  
1897 5 minutes.

1898 Dr. {Burgess.} Thank you, Mr. Chairman.

1899 I do want to go on record as saying there has been no  
1900 bigger critic of the Title 42 program than myself, but I  
1901 understand the necessity of having a Title 42 program. If we  
1902 have the best virologists on the face of the earth, we want  
1903 to be able to pay him or her an amount commensurate with  
1904 their ability. If we have the person who sequenced the human  
1905 genome working at NIH, we want to be able to pay him or her  
1906 to a degree commensurate with their ability. But we don't  
1907 need to be paying entry-level biologists and chemists, and I  
1908 won't say that HHS has been as guilty of that as EPA has been  
1909 over the years but it just points out that this committee  
1910 must have oversight. If we are willing to spend more money  
1911 to have top researchers in their field, we must have  
1912 oversight into how those dollars are spent.

1913 Off the editorial statement now. Let me just ask a  
1914 question, Mr. Cochran. Dr. Christensen is very critical of

1915 the budgetary process. It is okay within her purview to do  
1916 that. You may have heard or read in the papers the Supreme  
1917 Court heard oral arguments about the Affordable Care Act at  
1918 the end of March. Did you read about that?

1919 Mr. {Cochran.} Yes, I am aware.

1920 Dr. {Burgess.} And then there was a lot of chatter  
1921 afterwards that maybe something might happen to the  
1922 Affordable Care Act. Can't know, won't know for another 6  
1923 weeks. But are you doing anything within your agency to  
1924 prepare for the Supreme Court voiding a portion or all of the  
1925 Affordable Care Act?

1926 Mr. {Cochran.} The HHS again principally the Centers  
1927 for Medicare and Medicaid Services as well as other  
1928 components are focused on implementing the Act, which is the  
1929 law of the Congress.

1930 Dr. {Burgess.} Focused? They are going on light speed.  
1931 I am sorry. Continue on.

1932 Mr. {Cochran.} I mean, I will stop there. That is  
1933 where we are putting our attention is to carry out--

1934 Dr. {Burgess.} So there are no contingency plans, what  
1935 if this thing gets struck down by the highest court in the  
1936 land?

1937 Mr. {Cochran.} The focus is on implementing current  
1938 law.

1939 Dr. {Burgess.} So the answer is no, there are no  
1940 contingency plans? We are not paying attention to current  
1941 events surrounding our agency, and if the world comes  
1942 crashing down around our ears on June 30th, so be it. Is  
1943 that the impression you wish to give the committee?

1944 Mr. {Cochran.} I wouldn't phrase it that way. I would  
1945 say that we are--

1946 Dr. {Burgess.} I am trying to help you.

1947 Mr. {Cochran.} We are focused on implementing--CMS is  
1948 focused on implementing the Act that is current law.

1949 Dr. {Burgess.} So by inference, there are no  
1950 contingency plans, and if your world comes to an end, then so  
1951 be it.

1952 Well, let me just ask you this. We have heard all this  
1953 great testimony about all the wonderful tools you have under  
1954 the Affordable Care Act for combating fraud and waste. A lot  
1955 of this just sound like good management practices, and I  
1956 suspect a lot of those were going on and we could study GAO  
1957 reports from previous years and find that many of those  
1958 things have already been going on. But if there are specific  
1959 tools that you were granted under the Affordable Care Act,  
1960 what happens July 1st if the Affordable Care Act is no more?  
1961 Do you stop prosecuting fraud in the Department of Health and  
1962 Human Services? Do you just give up?

1963 Mr. {Cochran.} CMS, our Office of Inspector General,  
1964 DOJ, they have--CMS, for example, has tools that have been  
1965 enhanced through the Affordable Care Act but they have been  
1966 working in this area for a long period and have funding and  
1967 authorities that preceded the Act.

1968 Dr. {Burgess.} So you wouldn't just throw up your hands  
1969 and say we give up, fraudsters win, we are going to just hand  
1970 the money over to the crooks, right?

1971 Mr. {Cochran.} This is one of the highest priorities of  
1972 the Department and it is an area of great focus.

1973 Dr. {Burgess.} The loss of the Affordable Care Act  
1974 would not inhibit your abilities to fight fraud. Is that  
1975 correct? Is that a fair statement?

1976 Mr. {Cochran.} The law provides CMS with additional  
1977 authorities that have enabled them to--that are enabling them  
1978 to do a better job.

1979 Dr. {Burgess.} If I may, you wouldn't grind to a halt  
1980 on July 1st or 2nd if the Supreme Court so rules?

1981 Mr. {Cochran.} There are authorities and funds that  
1982 precede the Act, and it is a major area of focus, a major  
1983 priority for the Department.

1984 Dr. {Burgess.} Again, suffice it to say, fraud  
1985 enforcement is not going to go away if the Affordable Care  
1986 Act is struck down by the Supreme Court. You and I don't

1987 know the answer to that at this point so it is obviously a  
1988 point of some conjecture.

1989           What is not a point of conjecture is the sequestration  
1990 that is going to happen. I have to tell you, I was a little  
1991 disturbed by your answer to Representative Blackburn's  
1992 questions about sequestration. You are giving us the  
1993 impression that the President's budget for 2013 actually  
1994 included those sequestration cuts.

1995           Mr. {Cochran.} I am sorry, no. The President's budget  
1996 includes specific targeted reductions that would make  
1997 sequestration unnecessary to achieve the same end.

1998 Sequestration is an approach of across-the-board reductions--

1999           Dr. {Burgess.} Sequestration, you can't just say it is  
2000 not necessary. I mean, it is a law. The President signed  
2001 it. Surely he remembers that.

2002           Mr. {Cochran.} And the policy of the Office of  
2003 Management and Budget of the Administration is to work with  
2004 the Congress to find specific reductions and avoid an across-  
2005 the-board approach to finding savings.

2006           Dr. {Burgess.} Well, okay. Sequestration starts when?  
2007 January 1st of 2013? And what are the efforts that are  
2008 ongoing now in working with the Congress to identify? You  
2009 have 8 percent of your discretionary budget, if I understand  
2010 things right. Does that sound right, 8 percent, that you

2011 have to cut?

2012 Mr. {Cochran.} CBO estimates, right, just roughly 8  
2013 percent would be not just--but across discretionary spending.

2014 Dr. {Burgess.} Well, that is a lot more than the  
2015 reductions that are proposed in the President's budget for  
2016 2013, correct?

2017 Mr. {Cochran.} That is correct. The President's budget  
2018 proposes a mix of--and not just in HHS but government-wide a  
2019 mix of discretionary reductions, mandatory reductions, and  
2020 other, you know--

2021 Dr. {Burgess.} Well, correct me if I am wrong, but the  
2022 way the law reads, the law that the President signed is that  
2023 sequestration comes from HHS, right?

2024 Mr. {Cochran.} No, the law enacted a--created a  
2025 committee to find specific savings. Sequestration was a  
2026 backstop to that. The Administration's position is to--

2027 Dr. {Burgess.} That was the Super Committee. They  
2028 failed. We all got that. They fell to earth. So January  
2029 1st, you have to come up with 8 percent in cuts in your  
2030 agency. How are you proposing to do that?

2031 Mr. {Cochran.} The way sequestration is modeled is to  
2032 have a strict across-the-board reduction as opposed to the  
2033 targeted savings that the Administration's budget proposals  
2034 would--

2035 Dr. {Burgess.} And are you preparing for those across-  
2036 the-board reductions within your agency? You are the Budget  
2037 Director, right, or the Assistant Budget Director?

2038 Mr. {Cochran.} I am, and the focus is on working with  
2039 Congress to identify specific reductions as opposed to  
2040 relying on across-the-board reductions.

2041 Dr. {Burgess.} So what specifically have you done to  
2042 work with Congress? You have got 6 months before this thing  
2043 kicks in.

2044 Mr. Chairman, I beg some indulgence. You have given  
2045 other people extra time. This is of critical importance.

2046 Mr. {Stearns.} The gentleman asks for unanimous consent  
2047 for another 30 seconds.

2048 Dr. {Burgess.} Would the gentleman please answer the  
2049 question? What have you done to work with this committee,  
2050 this Congress in order to avoid that 8 percent across-the-  
2051 board reduction that you are going to see January 1st?

2052 Mr. {Cochran.} Well, the President submitted a budget  
2053 in February that has a number of proposals and seeks to work  
2054 with the Congress to have those proposals be enacted.

2055 Dr. {Burgess.} With all due respect, that budget was  
2056 pure fantasy. It did not garner a single vote in the House  
2057 of Representatives on either the Republican or Democratic  
2058 side. I think we are going to have to do better than that.

2059 Would you not agree with that?

2060 Mr. {Cochran.} I would agree we have a long way to go  
2061 and--

2062 Dr. {Burgess.} So what is your proposal to work with  
2063 this committee and Congress to avoid the sequestration  
2064 across-the-board cuts to identify those areas of savings  
2065 and/or cuts that can occur?

2066 Mr. {Stearns.} The gentleman's time has expired. You  
2067 are welcome to answer the question, and if you can't, perhaps  
2068 you could come back and provide us written material.

2069 Mr. {Cochran.} By the way, our jurisdiction is just  
2070 within the Department of Health and Human Services. We have  
2071 proposed over \$300 million in specific reductions on the  
2072 mandatory side as well as specific discretionary reductions.  
2073 We briefed the Appropriations Committee on the discretionary  
2074 budget.

2075 Mr. {Stearns.} Would the gentleman from Texas like to  
2076 go a third round? Because we could do that.

2077 Dr. {Burgess.} Yes, I would be happy to.

2078 Mr. {Stearns.} I am not sure we will all use it, but I  
2079 think I will take a third round and perhaps the ranking  
2080 member and then we will come back to the gentleman, and he  
2081 may not need his full 5 minutes.

2082 I think the point that the gentleman from Texas is

2083 making is pretty important here, and I think as the  
2084 Subcommittee on Oversight, we should have an understanding of  
2085 what is going to happen with sequestration. The Impoundment  
2086 Control Act and the Anti-Deficiency Act are going to  
2087 complicate the budgeting process for your department. I  
2088 think we all agree. The Act includes two main prohibitions.  
2089 One, agencies can't spend more money than they have or spend  
2090 money before they have it, and two, agencies cannot accept  
2091 voluntary services. On the other hand, the Impoundment  
2092 Control Act requires that agencies obligate the amount that  
2093 Congress has appropriated. So in anticipation of the  
2094 sequestration, what is the Department's plan to prevent  
2095 violating these two laws?

2096       Mr. {Cochran.} For our discretionary budgets, it has in  
2097 pretty recent history often been the case that at the  
2098 beginning of the fiscal year we are under a continuing  
2099 resolution where we don't yet know what Congress will provide  
2100 for that full year, and in those situations, we operate at a  
2101 lower level with respect to not releasing all grant funds, in  
2102 particular in this case under a continuing resolution in the  
2103 fall leading up to January would take the same approach.

2104       Mr. {Stearns.} Mr. Cosgrove, do you have any comments  
2105 that you might have relative to the sequestration and what  
2106 Mr. Cochran has said?

2107 Mr. {Cosgrove.} I don't specifically. My understanding  
2108 is that agencies would need instructions from OMB, and those  
2109 have not been provided, but I am not an expert on the  
2110 sequestration law.

2111 Mr. {Stearns.} Ms. Yocom, do you have anything you  
2112 might add?

2113 Ms. {Yocom.} I don't.

2114 Mr. {Stearns.} Okay. Mr. Cochran, what percentage  
2115 reduction amounts of cuts would hit HHS discretionary budget  
2116 authority, for example, on NIH? Do you have any feel for  
2117 that?

2118 Mr. {Cochran.} Under sequestration?

2119 Mr. {Stearns.} Yes.

2120 Mr. {Cochran.} CBO estimates sequestration would be  
2121 roughly 8 percent, 7.8 percent.

2122 Mr. {Stearns.} And that would be true on CDC too?

2123 Mr. {Cochran.} For the majority of funds, yes.

2124 Mr. {Stearns.} FDA?

2125 Mr. {Cochran.} For the majority of funds, yes.

2126 Mr. {Stearns.} Okay. I think that is going to complete  
2127 my comments.

2128 Ms. Schakowsky?

2129 Ms. {Schakowsky.} Thank you.

2130 I wonder if the gentleman and all those so interested in

2131 what HHS is doing to prepare for sequestration are equally as  
2132 committed to the requirements for the defense budget under  
2133 sequestration, which have been protested from day one on the  
2134 Republican side of the aisle and have looked at the  
2135 Prevention Fund as a way to help avoid cuts on the military  
2136 side.

2137 I also--you know, all this focus, which I agree, we want  
2138 to cut all waste, fraud and abuse, we want to be absolutely  
2139 efficient, and that frankly is why we passed the Affordable  
2140 Care Act, or as I fondly call it, Obamacare. Is it not true,  
2141 Mr. Cosgrove or Ms. Yocom, that the projection in savings  
2142 under the Affordable Care Act is \$210 billion over the next  
2143 10 years and \$1 trillion over the 10 years after that, that  
2144 repealing it would in fact raise the deficit?

2145 Mr. {Cosgrove.} CBO did estimate savings associated  
2146 with passage of the Act. Yes, that is correct.

2147 Ms. {Schakowsky.} And at the same time, the Republicans  
2148 added a \$400 billion drug benefit program, unpaid for and  
2149 with a prohibition that Medicare could even negotiate with  
2150 the pharmaceutical companies for lower prices and have  
2151 consistently opposed efforts to reduce the Medicare Advantage  
2152 overpayments to insurance companies. So I am more than  
2153 willing to roll up my sleeves with you and with HHS to figure  
2154 out the ways that we can achieve needed savings in our health

2155 care spending but I just really find offensive the selective  
2156 criticisms. I want to repeat that the travel budget is down  
2157 from the second year of the Bush Administration, that they  
2158 see a 17 percent further cut. I don't object to asking for  
2159 the details but the affect here that somehow there is a  
2160 disregard for saving taxpayer dollars I think is really  
2161 misspent. In fact, I think we can look at how the Republican  
2162 budget would increase Medicare fraud, and I want to ask a  
2163 couple of questions about that.

2164         The Republican budget repealing the Affordable Care Act,  
2165 which contains significant new tools for fraud detection and  
2166 prevention, new resources to fight Medicare and Medicaid  
2167 fraud, and so while Dr. Burgess was saying you are going to  
2168 still fight fraud, but doesn't the Affordable Care Act give  
2169 you new tools to do that, Mr. Cochran?

2170         Mr. {Cochran.} It does.

2171         Ms. {Schakowsky.} And what is the typical return on  
2172 investment for every dollar spent on Medicare fraud?

2173         Mr. {Cochran.} The return on investment for the last 3  
2174 years for our health care fraud and abuse account has been 7  
2175 to 1.

2176         Ms. {Schakowsky.} And would these significant budget  
2177 cuts and eliminating the new authorities given to HHS to  
2178 prevent fraud before it happens impact your agency's ability

2179 to fight fraud?

2180 Mr. {Cochran.} CMS is finding the new authorities to be  
2181 helpful in moving away from what is sometimes called a pay  
2182 and chase and toward being able to suspend payments before  
2183 they are made whenever there is an investigation of a  
2184 credible allegation of fraud. The resources that the Act  
2185 provides are important for not only the work of CMS as well  
2186 as our Office of Inspector General in our partnership with  
2187 the Department of Justice.

2188 Ms. {Schakowsky.} And the Republicans' budget impact on  
2189 preventing fraud in the Medicare program would also be  
2190 profound. The Republican proposal to turn Medicaid into a  
2191 block grant would result in dramatically decreased federal  
2192 contribution to State Medicaid programs, a cut of more than  
2193 \$810 billion over the next decade.

2194 Mr. Cochran, wouldn't such a dramatic cut on the federal  
2195 contribution mean that States' antifraud spending would be  
2196 increasingly in competition with their spending on patient  
2197 care?

2198 Mr. {Cochran.} In the context of reduced resources,  
2199 that tradeoff is--I think it would be logical to expect that  
2200 sort of tradeoff--Administration on Medicaid defined specific  
2201 reductions and to retain its core function as a specific  
2202 benefit for low-income populations.

2203 Ms. {Schakowsky.} Well, I think this is a powerful  
2204 example of why the Republican budget is so misguided. It is  
2205 pennywise and pound very foolish, making cuts that would  
2206 result in increased Medicare and Medicaid fraud and cost  
2207 taxpayers more in the long run, and I yield back.

2208 Mr. {Stearns.} The gentlelady yields back. She is the  
2209 one of the first Democrats to use ``Obamacare'' in a way that  
2210 she is proud of, and I think that is something. I would say  
2211 to her that the cost savings that she talks about obviously  
2212 come from the reduction in Medicare by \$500 billion.

2213 So with that, Dr. Burgess is recognized for 5 minutes.

2214 Dr. {Burgess.} Thank you, Mr. Chairman.

2215 Mr. Cochran, a former Member of Congress, Charles  
2216 Stenholm, Democrat from Texas, provided what I think is a  
2217 very useful model, and I really do wish that Health and Human  
2218 Services would look at this and follow this. He was trying  
2219 to do with inappropriate transfers of funds within the crop  
2220 insurance program because he was on the ag committee, and I  
2221 think the senior Democrat on the ag committee at the time,  
2222 and it occurred to him, even within his own district that  
2223 there were crop insurance payouts that were far in excess of  
2224 what would be expected in the area. So they developed a  
2225 predictive modeling program with Dr. Bert Little at Carlton  
2226 State University in Texas, a relatively small State

2227 university in Texas, and using this predictive modeling  
2228 program were able to achieve significant savings in the crop  
2229 insurance program, and what they found much to their surprise  
2230 was, once they started looking, the problem diminished, that  
2231 is, people were willing to perhaps make embellished reports  
2232 as long as no one paid any attention to them. But when there  
2233 was seen that in fact there was this increased scrutiny, the  
2234 numbers dropped.

2235         So I would just suggest that to you. We are all looking  
2236 at ways to find additional dollars, and again, the  
2237 gentleman's name is Dr. Bert Little down at Carlton State.  
2238 The crop insurance program that Mr. Stenholm developed  
2239 through an earmark when he was in Congress turned out to be  
2240 enormously helpful and protective of the program.

2241         Now, look, we have had a lot of discussion about a lot  
2242 of different things. The Supreme Court is going to rule  
2243 irrespective of the Republican budget. So forget for just a  
2244 minute about any evil associated with the Republican budget.  
2245 You have the Supreme Court going to rule. And you are  
2246 telling me that you won't have the tools you need if the  
2247 Supreme Court strikes down the entirety of the Affordable  
2248 Care Act?

2249         Mr. {Cochran.} No, sir. There are important tools that  
2250 are included in the Affordable Care Act as well as resources

2251 for CMS Office of Inspector General. There are tools that  
2252 precede the Act and resources that precede the Act as well.

2253 Dr. {Burgess.} Very well, and they will continue to be  
2254 there and be utilized, and if you need additional authority  
2255 because the Affordable Care Act has vaporized overnight, you  
2256 will be able to come back to Congress and ask for that  
2257 authority. Is that not correct?

2258 Mr. {Cochran.} Well, the Administration's focus is on  
2259 using the tools that are current law to carry that out.

2260 Dr. {Burgess.} I get it, but there is a court case out  
2261 there. You admitted that you had read about it.

2262 Well, what you must be aware of, the law of the land is  
2263 the Budget Control Act of last August, dreadful piece of  
2264 legislation, but nevertheless, it is there and it proposes an  
2265 8 percent across-the-board. You are developing your budget,  
2266 your fiscal year 2014 budget now, are you not? You don't  
2267 want until the last minute to develop that?

2268 Mr. {Cochran.} That is correct. We are just now  
2269 starting to--

2270 Dr. {Burgess.} Are you taking into account that that 8  
2271 percent across-the-board hammer is hanging over your head  
2272 January 1st?

2273 Mr. {Cochran.} We formulated our budgets each year  
2274 under the guidance that comes from OMB. We typically would

2275 get that over the summer. What we are doing now is looking  
2276 at--we are looking at our performance information, looking at  
2277 priority areas, identifying where we can find additional  
2278 savings, and with that, the effort for the 2014 budget  
2279 formulation will become, you know, more fulsome once we get  
2280 the guidance from OMB.

2281 Dr. {Burgess.} Okay. Well, Ms. Schakowsky correctly  
2282 pointed out how the Pentagon is actively engaged in what it  
2283 will have to do to deal with sequestration and are there ways  
2284 to avoid it. We don't hear much out of HHS, and you have got  
2285 the same sword of Damocles hanging over your head as the  
2286 Department of Defense.

2287 Let me just ask you this. Going back to the Affordable  
2288 Care Act, and I know you don't want to think about the  
2289 Supreme Court, but you have a Medicaid payment rate. In  
2290 fact, there was a story out today on Politico Probe about the  
2291 Medicaid payment rate which was just finalized, and it is  
2292 going to pay Medicaid at the higher rate as authorized by  
2293 Medicare. Are you prepared if that goes away July 1st? Are  
2294 you prepared to step up to the plate to do something as far  
2295 as provider payments in Medicaid or is that just tough luck  
2296 for the docs?

2297 Mr. {Cochran.} For Medicaid, you mean with respect to  
2298 the State-federal share?

2299 Dr. {Burgess.} No, I am talking about, there was an  
2300 enhanced payment rate in Medicaid up to the level--in primary  
2301 care up to the level of as reimbursed by Medicare currently  
2302 so that there wasn't that discrepancy in the payment rates  
2303 between Medicare and Medicaid. You guys are going to take  
2304 care of the docs if this thing goes away?

2305 Mr. {Cochran.} Well, the emphasis for CMS as well as  
2306 for the Department is to implement what is now current law  
2307 and to carry out the provisions of the Affordable Care Act.

2308 Dr. {Burgess.} You have told me that before. You know,  
2309 your authority to pay providers under Medicare and Medicaid  
2310 may evaporate July 1st, according to some AP reports that  
2311 were out last week. You have got to be having some  
2312 contingency plans on what do you do to keep the Nation's  
2313 doctors seeing your Medicare patients after July 1st in the  
2314 absence of the Affordable Care Act. You just have to.

2315 Mr. {Cochran.} The emphasis of the Department and of  
2316 CMS is carrying out current law.

2317 Dr. {Burgess.} This is the equivalent of taking the  
2318 Fifth on this issue. You have to be preparing because, I  
2319 mean, again, I didn't make up this AP report. It bothered me  
2320 when I saw it as well. I think we should be doing some  
2321 contingency planning at the committee level. We, after all,  
2322 are the committee of jurisdiction over these programs but I

2323 cannot believe that your agency, that Secretary Sebelius and  
2324 the Administrator at CMS are not sitting down and at least  
2325 looking at some black and white numbers of what do we do to  
2326 take care of our docs if they Affordable Care Act vanishes in  
2327 the morning dew.

2328 Mr. {Stearns.} The gentleman's time has expired.

2329 Dr. {Burgess.} May the gentleman provide us a response?  
2330 You have got to be doing some contingency planning.

2331 Mr. {Cochran.} The focus is on implementing what is  
2332 current law, and at CMS, analysis that we are doing related  
2333 to the Act has to do with--

2334 Dr. {Burgess.} Mr. Chairman, I am not going to get an  
2335 answer but what I would like to suggest is that this  
2336 committee request respectfully from the agency information  
2337 regarding this, because it is important. If every doctor  
2338 doesn't get a paycheck July 1st, we are going to be in a hell  
2339 of a shape. Perhaps we could request meeting notes, emails.  
2340 There is bound to have been some discussions that have gone  
2341 on at CMS about what happens the day after the Affordable  
2342 Care Act is--if the Supreme Court says it is  
2343 unconstitutional.

2344 Mr. {Stearns.} I think that the gentleman is correct.  
2345 I think the committee can formally request from you what  
2346 actions your agency intends to take in the event of deferral

2347 of budget money because of sequestration, the tools you are  
2348 going to use. I think that is a reasonable request in the  
2349 event this occurs. I think your agency should get back to  
2350 us, as Dr. Burgess pointed out, with some chronology of  
2351 things and tools you are going to do, because for you to  
2352 continue to say we are just going to implement Obamacare, it  
2353 is like he said, you are taking the Fifth, and I think there  
2354 is a point where Congress oversight, our responsibility under  
2355 the Constitution, we have a right to ask this and ask what  
2356 you are going to do. That is what I am requesting formally.

2357         We are going to wrap up this hearing. I have the  
2358 opportunity to give some closing comments. You mentioned,  
2359 Mr. Cochran, under Obamacare that Obamacare provides  
2360 additional funding to fight waste, fraud and abuse in  
2361 Medicare and Medicaid, I believe, but it is also true that  
2362 there remains billions of dollars to be saved immediately  
2363 only if Health and Human Services would simply implement all  
2364 of the GAO's outstanding recommendations that were in Mr.  
2365 Cosgrove's opening statement, that are in his written  
2366 statement that he gave us. So I think before Health and  
2367 Human Services goes around asking for more money, continue to  
2368 have more money in order to cut waste, fraud and abuse, we  
2369 should start with the savings that the GAO has presented  
2370 here, clearly, abundantly as pointed out, and obviously, in

2371 our opinion, and I think it appears to be from the GAO, you  
2372 have not implemented and responded to those recommendations  
2373 and you in fact pointed out one of them that you are going to  
2374 totally disregard in dealing with the bonus program.

2375           So that is the closing statement, and I thank the  
2376 witnesses for the hearing. We want to put in by unanimous  
2377 consent this little graph that we put on the slide. Without  
2378 objection?

2379           Ms. {Schakowsky.} Without objection.

2380           Mr. {Stearns.} So ordered.

2381           [The information follows:]

2382 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
2383           Mr. {Stearns.} And in conclusion, I would like to thank  
2384 the witnesses and members that participated in today's  
2385 hearing. I remind members that they have 10 business days to  
2386 submit questions for the record, and I ask that the witnesses  
2387 all agree to respond promptly to these questions.

2388           With that, the subcommittee is adjourned.

2389           [Whereupon, at 12:20 p.m., the Subcommittee was  
2390 adjourned.]