



Message From the Secretary

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201



Michael O. Leavitt

The Department of Health and Human Services (HHS) in fiscal year (FY) 2006 continued to fulfill its charge to protect the health of all Americans and provide essential human services, especially for those who are least able to help themselves. In support of this mission, HHS made tremendous strides in achieving the President's vision of a healthier, safer and more hopeful America, while ensuring good stewardship of the taxpayers' money.

HHS realized significant progress in a number of program areas during FY 2006, including: protecting Americans from the threat of an avian influenza pandemic; ensuring that seniors and people with disabilities received prescription drugs for the first time through Medicare Part D; and establishing a health information technology community to reduce medical errors, lower health care costs, and encourage better health. Progress was also achieved in initiatives the Department is undertaking to ensure that the resources entrusted to it are managed in a responsible, efficient and effective manner.

Avian Influenza Pandemic

We developed the Pandemic Influenza Plan, the medical and public health component of the National Strategy for Pandemic Influenza, to help our nation's health care system prepare to respond to an influenza pandemic. The Department also worked to strengthen global capacity to detect influenza viruses with the potential to trigger a human pandemic. During this fiscal year, we began transforming the Commissioned Corps so that it is fully equipped to meet any public health emergency.

Prescription Drugs

We have made great strides in getting necessary prescription drugs to Medicare beneficiaries. During this fiscal year, seniors began receiving prescription drugs through Medicare for the first time through HHS' implementation of Medicare Part D. Features of the new Medicare prescription drug benefit, which is voluntary, represent some of the most significant improvements to beneficiary health care benefits in more than 40 years and approximately 38 million beneficiaries have some form of drug coverage. American seniors are saving money through the new prescription drug benefit and have expanded health plan options.

Health Care Systems and Health Information Technology

We continued our efforts to modernize our Nation's health care programs by making it easier for states to make Medicaid more sustainable and flexible so that benefits can be tailored to need and making it easier for qualifying individuals to obtain coverage. Our efforts have increased access to care for low-income Americans and streamlined the operation of state Medicaid programs.

We also worked collaboratively with the health care sector to encourage the adoption of improved health information technology systems to facilitate the rapid exchange of health information that ensures information provided to consumers is reliable and accurate. This information will enable consumers to make informed choices among doctors and hospitals, and it will help support doctors and hospitals that deliver high-quality care, creating opportunities to improve care and potentially lower costs.

Stewardship

I am proud to report that for the eighth consecutive year, HHS earned a “clean” audit opinion on the Department’s consolidated financial statements. This demonstrates our commitment to ensuring the highest measure of accountability to the American people.

The Department has made considerable steps toward modernizing and streamlining the financial management system it uses to ensure fiscal integrity and to provide decision makers and others with reliable and timely financial information. HHS managers use the performance and financial data summarized in this report to improve the quality and cost effectiveness of services to the public.

The financial and performance data presented in this report are reliable and complete, except where otherwise noted. Given the over one-half trillion dollar budget and over 300 programs that HHS is responsible for, it is critical to have confidence in the validity of this information.

As required by OMB Circular A-123, HHS has evaluated its internal controls and financial management systems. Section I of this report includes the Department’s qualified assurance statement addressing the following three material weaknesses, two of which are nonconformances: 1) Financial Systems and Processes (nonconformance); 2) Medicare Electronic Data Processing (EDP) Operations (nonconformance); and 3) Medicare Advantage and Prescription Drug Benefit Payments. To remediate these weaknesses the Department is taking the following corrective actions: 1) continuing the deployment of the Unified Financial Management System (UFMS) across the Department to improve its financial systems and processes; 2) implementing a comprehensive strategy for addressing Medicare EDP weaknesses by focusing our efforts on both short and mid-term actions; and 3) continuing to develop and apply mitigating controls and new processes which have already proven to be successful in reducing the significance of the weakness. More information on these actions is presented in [Sections I and IV](#).

The information presented in this report recognizes some of the challenges we face in our nation’s future economic health as well. For example, this report highlights our need to continue our best efforts toward addressing the financial challenges facing Medicare and Medicaid. As the Medicare Trustees Report warned, the insolvency date for Medicare has moved up two years from 2020 to 2018. The difference between outlays and dedicated revenues is expected to exceed 45 percent of total Medicare expenditures in 2012. Medicare is simply not sustainable in the long-term

in its present form. As such, the President's Budget proposes appropriate steps to reduce spending growth, building on the up-to-date benefits and new programs to improve disease prevention and quality of care in Medicare. The Department is strongly committed to meeting future challenges and to providing the policymakers who make the critical choices affecting these programs with quality information.

These accomplishments would not have been possible without the dedication and commitment of our employees and partners. They should be very proud of the positive impact their contributions have had on the lives of millions of Americans.

A handwritten signature in black ink, appearing to read "Michael O. Leavitt". The signature is fluid and cursive, with a large initial "M" and "L".

Michael O. Leavitt

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