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United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

April 8, 2013

Mr. Andrew Parmentier
Height Securities, LLC
1775 Pennsylvania Avenue NW
11th Floor
Washington, DC 20006

Dear Mr. Parmentier:

Recently, there has been greater scrutiny to the growing “political intelligence” industry and its implications for markets and everyday investors. Your firm, Height Securities, describes itself as “a privately-held capital markets firm that provides research, advisory and investment banking services to institutional investors, financial sponsors, and corporations.”¹ Furthermore, Height Securities boasts that its clients “rely on Height’s investment perspectives in some of the most heavily regulated segments of the economy.”²

I am seeking to better understand issues relating to the use of “political intelligence” for profit in the context of private health care insurance companies who contract with the Centers for Medicare and Medicaid Services (CMS). On an annual basis, CMS, the agency overseeing Medicare, determines the amount of money that will be allocated to private insurers who serve senior and disabled populations through the Medicare Advantage plans. In February 2012, CMS announced that it planned to drastically cut rates. This past Monday, April 1, was the CMS deadline to finalize the rates for 2014. Health care industry analysts were waiting to see if CMS would reconsider its proposed rate cuts and health insurance stocks remained flat in the hours leading up to the CMS announcement.

At 3:42 p.m., Eastern Time, on Monday, April 1, 2013, Height Securities issued an advisory to its clients stating that it: “now believe[d] that a deal has been hatched to protect Medicare Advantage rates from the -2.3% rate update issued in the advanced notice mid-February.”³ Moreover, the advisory stated “We are supportive of MA related stocks (HUM, HNT [Humana, Health Net]) under this circumstance.”⁴

However, it was not until approximately 45 minutes later, or 4:30 p.m., that CMS publicly announced its dramatic change of policy. After Height Securities’ advisory was issued to clients, trading

¹ HEIGHT SECURITIES, LLC, <http://www.heightllc.com/>.

² *Id.*

³ HEIGHT SECURITIES, LLC Advisory (Apr. 1, 2013).

⁴ *Id.*

volume for the top three most benefitted companies jumped by \$662.8 million in the final minutes of trading.⁵ Stocks for several large health insurers rose sharply between 3:42 p.m. and final market closure.

These reports raise serious questions regarding how political intelligence brokers are able to gather information for their clients in advance of market moving events. To better understand how you obtained market moving information using political intelligence, please answer the following questions and provide the following documents:

1. Please provide all records relating to external communications involving Height Securities personnel regarding the April 1, 2013, CMS announcement, including any communications with non-government personnel in the private sector or communications with government personnel such as those at CMS, HHS, OMB, Congress, or the White House.
2. Please provide all records relating to internal communications involving Height Securities personnel regarding the April 1, 2013, CMS announcement.
3. When did Height Securities receive “information” that led it to “believe that a deal ha[d] been hatched to protect Medicare Advantage rates”?
 - a. Who at Height Securities received the information?
 - b. From whom did Height Securities receive the information?
 - c. How did Height Securities receive information?
4. Did any Height Securities personnel communicate the information to anyone *prior to* issuing its advisory at 3:42 p.m., Eastern Time, April 1, 2013? If yes, please provide all records relating to those communication(s).
5. According to the Wall Street Journal, Andrew Parmentier, managing partner with Height Securities, acknowledged that Justin Simon, the analyst who issued the April 1, 2013, advisory, had spent considerable time following the CMS rate issue.⁶
 - a. What in particular led Mr. Simon to issue his advisory?
 - b. What led him to issue it at the time he did?
 - c. Did Height have reason to believe that the CMS rate announcement would be made at 4:30 on April 1, 2013? If so, what was the basis for that belief?
 - d. Please provide all records relating to communications with Mr. Simon, regarding the April 1, 2013 CMS announcement.
6. According to the Wall Street Journal, Andrew Parmentier, managing partner with Height Securities, stated “Height Securities has established specific procedures to reduce the risk that is inherent in gathering information from government employees for investment purposes.”
 - a. Was the information that led to this advisory gathered from government employees? If so, from which government employees was it gathered? When and how was it gathered?

⁵ See BRODY MULLINS & TOM MCGINTY, *Tip on Policy Shift Jolted Health Shares*, WALL ST. J., Apr. 3, 2013.

⁶ *Id.*

- b. Please provide copies of these risk reducing “specific procedures.”⁷
- c. What types of information does Height Securities generally gather from government employees?
- d. How is such information generally gathered?

Thank you in advance for your cooperation and prompt attention to this matter. When responding to this letter, please number your answers in accordance with our questions. I would appreciate a response by April 15, 2013. If you have any questions, please do not hesitate to contact Erika Smith with Senator Grassley at (202) 224-5225.

Sincerely,



Charles E. Grassley
Ranking Member
Senate Committee on the Judiciary

⁷ *Id.*