

Floor Statement of Senator Chuck Grassley
Political Intelligence and CMS
April 8, 2013

Mr. President, it is said that information is the most valuable commodity.

The bigger government gets, the more valuable government information becomes to the financial markets.

This is especially true of information from agencies, such as the Centers for Medicare and Medicaid Services (CMS).

CMS controls \$748 billion in government spending per year.

That's billion—with a "b".

Today there are questions surrounding CMS's ability to safeguard non-public information.

However, this is not the first time I have raised similar questions to CMS.

In 2011, I received information from a whistleblower that CMS employees were spending large amounts of time in meetings with Wall Street executives.

I wrote CMS with my concerns.

The response I received back was troubling.

CMS could not tell us how many meetings were taking place.

CMS could not tell us who was in these meetings.

CMS could not tell us how much time they took.

In fact, the only thing CMS could tell us was that it did not track any of this information.

Private businesses have stiff controls over access to non-public information.

The only specific step CMS took was issuing a two-page memo to its employees.

The memo limited the release of market moving information before the close of the stock markets.

However, on April first that requirement appears to have been violated.

According to the Wall Street Journal, at 3:42 p.m. Height Securities, a political intelligence broker, issued an advisory note to its clients.

This note said, quote, “we now believe that a deal has been hatched to protect Medicare Advantage rates” from being cut.

This note goes on to suggest that clients purchase related stocks, such as Humana.

Between 3:42 p.m. and the market’s close, 18 minutes later, volumes for affected companies spiked to more than half a billion dollars.

In fact, the combined volume of shares traded for those companies, for those 18 minutes, was higher than the rest of the entire trading day!

Not only did large numbers of shares change hands, but also buyers who got the information first likely made a lot of money.

For example, Humana’s stock rose 8.6 percent in a matter of minutes.

This looks like political intelligence at work.

A political intelligence broker gets a hold of non-public government information before it is widely released and a select few paying clients reap the rewards.

As the Government Accountability Office recently reported, the world of political intelligence is murky.

The public – and Congress – have little insight into how government information is collected and sold.

Who pays for that information?

Lobbyists have to disclose their clients, what they lobby on, and how much they get paid.

So do campaign donors.

Political intelligence brokers are exempt from any transparency.

Now, because there is no transparency, we have to find out, what happened.

How did material non-public government information find its way to certain investors?

Did CMS employees leak this information?

Was it leaked from another government source?

Either way, we need answers to these questions.

Tomorrow is Acting Administrator Tavenner's confirmation hearing before the Senate Finance Committee.

I plan on asking Ms. Tavenner several questions.

How did this information get from CMS to a political intelligence broker?

And what steps CMS will take to ensure this does not happen again?

I hope Ms. Tavenner recognizes the importance of these questions.

I hope she comes prepared to take responsibility.

I hope she comes prepared to explain how she plans to hold someone accountable.

Ms. Tavenner is the acting administrator and wants the Senate to confirm her to the job.

This is her opportunity to show us she is worthy of that confirmation.