

# HEALTH MANAGEMENT ASSOCIATES

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**To:** Interested Organizations  
**From:** Health Management Associates  
**Date:** September 26, 2023  
**Re:** Impact of a Federal Government Shutdown on Health Care Programs and Services

## Overview

The federal Fiscal Year (FY) 2023 ends September 30, 2023. As of September 26, 2023, the U.S. Congress has not approved any of the twelve appropriations bills for FY 2024 or a continuing resolution (CR) that would maintain federal funding at the FY2023 level for a specified period of time into FY 2024 while Congress continues negotiating.

*Outlook.* There is mounting speculation that Congress may not reach agreement on a full-year spending bills or a short-term CR by October 1, 2023. If this holds, a federal government shutdown will occur, and federal agencies funded by the annual appropriations bills could not commit any new funds. During this time, historically, most Executive Branch and Judicial Branch employees are temporarily prohibited from working until Congress agrees to a funding bill(s). There are a few exceptions made under the law, including for activities involving “the safety of human life or the protection of property” and other “mission-critical work.” Unfunded agencies may only publish documents in the [Federal Register](#) (i.e. proposed and final regulations) that are directly related to the performance of governmental functions necessary to address imminent threats to the safety of human life or protection of property.

If a lapse in funding occurs, it remains unclear how long a shutdown might last. The duration of a potential shutdown may be the most important factor in determining the impact on programs that are funded through annual discretionary spending bills and others that operate via mandatory funding. Importantly, even if the Congress were to pass a short-term CR by October 1, a shutdown – or multiple shutdowns – are still possible at the end of a short-term CR unless Congress agrees on FY2024 spending bills or a year-long CR.

In the event of a shutdown there may be several implications for executive branch agencies and programs. A shutdown would not directly affect certain programs like Medicare, Medicaid, and the Indian Health Services (IHS) as compared to other health and health-adjacent programs. A protracted shutdown may, however, begin to have downstream impacts on functions that rely on the broader universe of agency staff and functions as well as those that state governments choose to continue without federal funding.

The remainder of this memo provides information on how a shutdown would impact specific agencies and health and health-adjacent programs.

## Department of Health and Human Services (HHS)

HHS published its FY2024 [contingency plan](#) which identifies how a shutdown will impact staffing and programs within the department. Generally, HHS will continue to protect human life and property, such as monitoring for disease outbreaks conducted by the Centers for Disease Control and Prevention (CDC). HHS will retain a limited number of staff to perform necessarily implied activities in support of funded

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activities, such as Medicare, Medicaid, and other mandatory health program payments. About 58% of HHS employees will be retained and 42% will be furloughed. These percentages vary among HHS Operating Divisions and offices. The Grants.gov Contact Center will remain available and assist callers. In the case of a shutdown, HHS will provide the federal grantor community with guidance and updates.

## Centers for Medicare and Medicaid Services

CMS will furlough 51% of agency staff if there is a shutdown. CMS will continue to make payments to eligible states for the Children's Health Insurance Program (CHIP) and continue Federal Exchange activities, such as eligibility verification.

The impact of furloughed workers is likely to cause a slowdown in some agency functions. For example, claims processing, beneficiary enrollment, provider enrollment, and CMMI model development that requires input from staff in other parts of Medicare or Medicaid may be delayed to some degree. The overall reduced staffing level may also slow work to implement new policies. The longer the shutdown, the more agency functions will slow, creating backlogs and delays. If the shutdown is short, as most have been in the past, it is not likely to cause significant delays in these functions.

*Medicaid.* Medicaid beneficiaries are insulated from federal government shutdowns because Medicaid funding is mandatory and not made through annual Congressional appropriations. Medicaid funding allotments paid by the federal government to states are made in advance on a quarterly basis. Therefore, states already have funding in hand for the first quarter of FY 2024 (October-December 2023). States operate claims and enrollment processing, and therefore CMS staff levels should only minimally impact these functions. Providers and health plans should continue to be paid by state Medicaid programs throughout a shutdown.

However, states working with CMS directly on certain types of Section 1115 demonstration requests or other changes to their Medicaid programs may experience a slowdown in communication with federal agency staff and progress on these submissions due to lower federal staffing levels. CMS will want to continue to prioritize federal agency staff work related to the Medicaid unwinding effort. If the government shutdown were to extend for many months, it could strain CMS's capacity to support states with operating their Medicaid programs.

*Medicare.* Medicare beneficiaries are also somewhat insulated from government shutdowns because Medicare funding is mandatory and not funded through annual Congressional appropriations. As a result, there should be no disruption in providers furnishing services to Medicare beneficiaries. Medicare will continue to pay providers. In addition, models operated by the Centers for Medicare & Medicaid Innovation (CMMI) are not likely to be impacted because CMMI has a long-term appropriation.

## Administration for Children and Families (ACF)

ACF will continue funding care of children in, and referrals to, the Unaccompanied Children program. Head Start and other social services programs will continue previously funded operations. ACF would be operating with about half of its current staff.

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*Temporary Assistance for Needy Families (TANF)*. The effects on TANF will vary by state based on each state's ability to cover the federal government's TANF contribution during the shutdown. Federal statute does not require states to cover TANF costs during a shutdown, but during prior shutdowns most states opted to cover the federal costs and continue the program until the shutdown was over. Each state's capacity to cover the costs largely depends on caseload, enrollment, and length of the shutdown. A lengthy shutdown puts TANF funding at risk.

## Substance Abuse and Mental Health Services Administration (SAMHSA)

Many federally funded mental health grant programs could be negatively impacted by a government shutdown. During the 2013 shutdown, federal funding to SAMHSA was significantly reduced causing disruptions for mental health services nationwide. However, the Medicaid program supports significant funding for behavioral health, and Medicaid funding has sufficient funding for several months.

## Health Resources and Services Administration (HRSA)

HRSA will retain 52% of staff during a shutdown. Two HRSA programs have a full-year mandatory appropriation, and two discretionary activities have advanced appropriations for FY 2024 and will have no impact from a lapse in appropriations. HRSA will continue to oversee many direct health services and other activities funded through carryover balances, such as the Ryan White HIV/AIDS program - Parts A and B and Ending the HIV Epidemic. Information on the programs that will continue is available [here](#).

Major disruptions in the 340B program are not expected. Reductions in staffing levels at HRSA may prevent entities applying to be 340B programs for the first time from gaining access to the program quickly and training and support is likely to be curtailed.

## Centers for Disease Control and Prevention (CDC)

The CDC will retain 41% of its staff in the event of a shutdown. Reduced staffing is expected to limit some operations and cause delays in some activities. According to its [contingency plan](#), CDC would continue its immediate response to urgent disease outbreaks and critical investigation needs in several areas such as food and healthcare. CDC would collect data being reported by states, hospitals, and others, and report out critical information needed for state and local health authorities and providers to track, prevent, and treat diseases. CDC would also continue the Vaccines for Children (VFC) program.

## Social Security Administration

If there is a shutdown, the SSA's [contingency plan](#) indicates that it will encourage the disability determination services (DDS) to continue limited services during a lapse in federal funding. DDS employees are State employees, however, therefore SSA cannot direct the States to except or furlough their employees during a lapse. Each State will determine whether it can maintain limited DDS operations and pay its employees during a lapse.

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Certain SSA operations will continue operations, including applications for benefits; requests for appeals; state disability determination services such as initial claims, including terminally ill, compassionate allowances, quick disability determinations, dire need, and wounded warriors. The contingency plan also lists specific functions that will not continue, such as benefit verifications.

## Department of Agriculture: Food and Nutrition Services (FNS)

In the event of a shutdown, FNS would continue the essential federal activities and funding to maintain food safety net programs using available carryover funding for a certain time period. The Administration indicated that the Supplemental Nutrition Assistance Program (SNAP) would have funding available into October 2023, and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) would run out of federal funds on a faster timeline. The Administration published a [state-by-state table](#) listing the number of women and children at risk of losing nutrition assistance.

## Department of Veterans Affairs: Veterans Health Administration (VHA)

The VA will retain 96% of its employees in the event of a shutdown. The VA's [contingency plan](#) indicates that all VHA functions would continue during a shutdown. Most employees will remain working because the VA receives advance appropriations that allow the department to continue operations.

### **Background information and resources:**

- HHS shutdown [contingency plan](#)
- Executive branch department shutdown contingency plans can be found here: <https://www.whitehouse.gov/omb/information-for-agencies/agency-contingency-plans/>