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Strategies Inc.

Government Shutdown: Background and Impact

A full or partial government shutdown occurs when Congress fails to pass the 12 annual appropriations bills which provide discretionary funding for federal agencies and programs before the start of the new fiscal year on October 1 (the traditional federal budget process), or when short-term spending measures expire.

Background

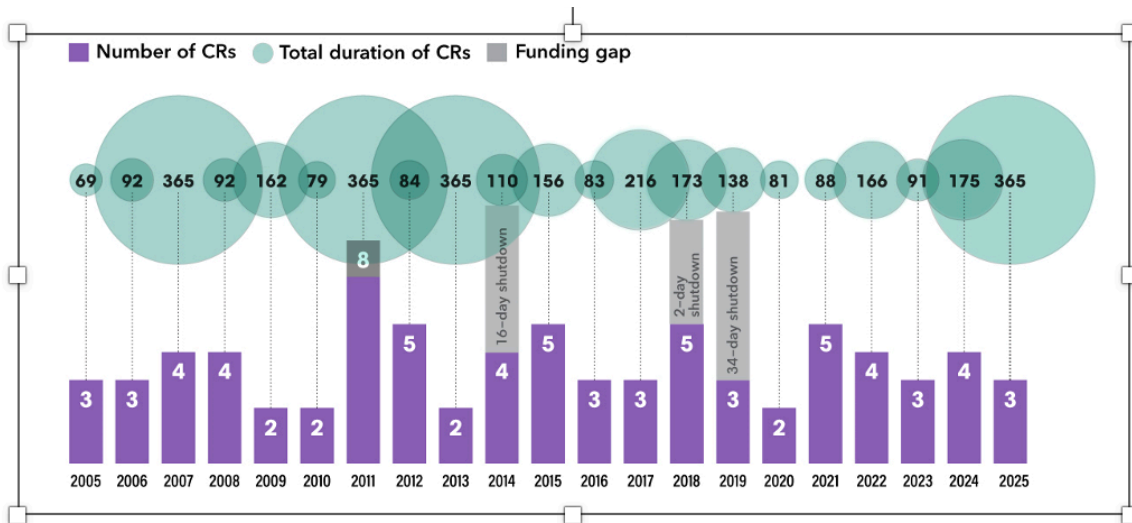
The House of Representatives has passed a continuing resolution (CR) ([H.R. 5371](#)) that would extend government funding at current levels through November 21. It includes provisions to extend Covid-era telehealth flexibilities and hospital-at-home waivers in the short-term, along with a five-year reauthorization of the Over-the-Counter Monograph Drug User Fee Program. Currently, the Senate does not have the votes necessary to advance the House-passed CR. Republicans will need at least seven Democratic votes in the Senate to pass government funding legislation.

Democrats are refusing to support any stopgap spending bill that does not include extension of enhanced advanced premium tax credits. The Affordable Care Act subsidies which allow families with incomes of more than 400% of the poverty line to cap their premiums at 8.5% of income are set to expire December 31, 2025. GOP leadership in both chambers have stated that the short-term CR will be free of any policy riders, and that negotiations on an extension should not be linked to the government funding deadline. Democrats are also pushing to roll back the One Big Beautiful Bill Act's Medicaid cuts as a part of the CR.

The White House Office of Management and Budget (OMB) has [instructed](#) federal agencies to prepare plans for permanent reductions-in-force (RIF) should a government shutdown occur. These RIF notices would be in addition to any temporary furlough notices provided due to the lapse in appropriations. OMB told agencies to identify programs where discretionary funding will lapse on October 1 and no alternative funding source is available, and to eliminate those jobs that are not consistent with the President's priorities and are not legally required to continue.

Continuing Resolutions

Absent an agreement on full-year appropriations bills, Congress often resorts to the passage of temporary spending measures known as continuing resolutions (CRs) to avoid a government shutdown, allow more time for negotiations, and keep the government operating until a specified date. CRs usually extend funding at the prior fiscal year's spending levels. Congress has relied upon at least one CR in all but three of the past 47 fiscal years.



Graphic: Cordelia Gaffney and Jonathan Hurtarte/Bloomberg Law

Notes: All years are fiscal. Full-year continuing resolutions were enacted for most but not all agencies in fiscal 2007, 2011, and 2013; fiscal 2025 full-year CR funded all agencies, including the Defense Department. Shutdown days reflect number of full days for which no budget authority was available.

Sources: "Continuing Resolutions: Overview of Components and Practices," CRS; "Federal Funding Gaps: A Brief Overview," CRS

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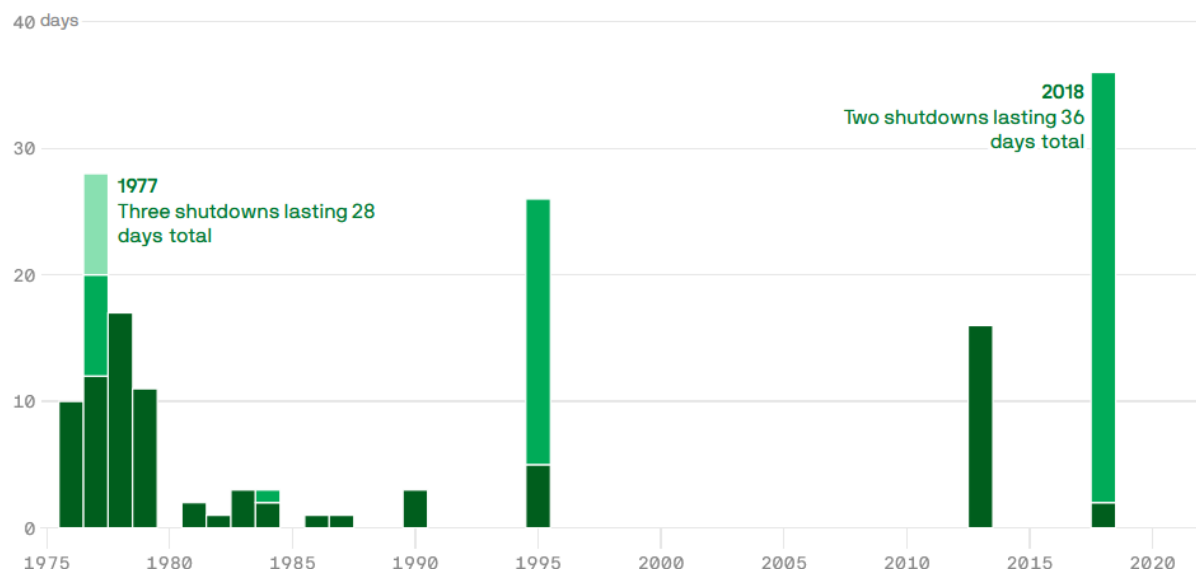
Past Shutdowns

To date, there have been 21 government shutdowns since 1975. Most recently, in 1995-1996, the government shut down twice for a total of 26 days due to a disagreement over spending levels; in 2013, the government shutdown for 16 days due to a disagreement over Affordable Care Act (ACA) funding; and in 2018-2019, a partial government shutdown lasted 35 days due to a disagreement over border wall funding.

Length of U.S. government shutdowns

Annually, 1976-2023

■ First shutdown that year ■ Second ■ Third



Data: U.S. House of Representatives; Note: Shutdowns are attributed to the year in which they started; Chart: Erin Davis/Axios Visuals

Impact of a Government Shutdown

Federal agencies are not permitted to spend or obligate any money without appropriation or approval from Congress. In the case of a funding gap, agencies must cease any non-essential operations for which funding has not been appropriated until Congress acts to pass government funding legislation. More information can be found below on the separate rules that apply for programs supported by mandatory funding and user fees.

Non-essential federal employees whose activities are not funded are told not to report for work, but they are paid retroactively when the government reopens. Personnel who are considered essential for protecting human life and property continue reporting for work, but are also not paid until appropriations are enacted. Back pay for federal employees who are furloughed or work without pay due to a government shutdown was guaranteed under the Government Employee Fair Treatment Act of 2019. Federal contractors, however, are not guaranteed back pay following the conclusion of a shutdown. Members of Congress are not subject to furlough, and only those congressional staff members whose work is “required to support Congress with its constitutional responsibilities or those necessary to protect life and property” may continue working. More information can be found in the U.S. Office of Personnel Management’s [Guidance for Shutdown Furloughs](#).

U.S. Department of Health and Human Services

Each agency across the federal government is responsible for producing a contingency planning [document](#) in the case of a government shutdown. According to the U.S. Department of Health and Human Services’ (HHS) [contingency plan](#), 41% of employees – more than 32,000 people – will be furloughed without pay starting on the second day of a government funding lapse.

HHS’ work to “protect human life and property” will continue, such as monitoring for disease outbreaks conducted by the Centers for Disease Control and Prevention (CDC). “HHS will cease all non-exempt and non-excepted activities in the event of a lapse in appropriation. This includes, but is not limited to, oversight of extramural research contracts and grants, being able to process FOIA requests or public inquiries, data collection, validation, and analysis. More specifically, CDC communication to the American public about health-related information will be hampered, the Centers for Medicare and Medicaid Services (CMS) will be unable to provide oversight to major contractors, and the National Institutes of Health will not have the ability to admit new patients to the Clinical Center, except for whom it is medically necessary.”

Centers for Medicare and Medicaid Services

In the case of a prolonged shutdown, it is possible that the release of regulations or other policy decisions could be delayed. CMS survey and certification activities would focus on complaint investigations alleging the most serious incidents of resident or patient harm. Other survey activities would be suspended. CMS would be largely unable to provide oversight to many of its major contractors. Many national and community outreach and education activities performed by CMS would cease or slow down during a lapse. CMS beneficiary casework services would largely suspend during a lapse in appropriations.

CMS’ contingency staffing plan highlights several non-discretionary programs that would continue during a lapse in appropriations, including the Health Care Fraud and Abuse Control Program and Center for Medicare and Medicaid Innovation (CMMI) activities.

Medicare

Federal programs covered by mandatory spending are not subject to annual appropriation by Congress. Therefore, **beneficiaries of programs like Social Security and Medicare will continue to receive their benefits.** However, there will be disruptions in administrative activities like benefit verifications, issuance of replacement cards, and Medicare application processing. **Health care providers and hospitals can continue to submit bills to Medicare and get paid, but the shutdown could result in reimbursement delays, given staffing shortages.**

Medicare Telehealth Services and Other Medicare Services Furnished Via Communications Technology

In response to the public health emergency for Covid-19, Congress enacted several flexibilities related to the provision of Medicare professional services via telehealth, including to allow patients to receive telehealth services wherever they are located in the country, to allow certain telehealth services to be furnished via audio-only telecommunications technology, to expand the types of professionals and entities that can furnish telehealth services, and to waive in-person visit requirements for the furnishing of mental health services to patients in their homes. Additional flexibilities allowing the use of telehealth to conduct face-to-face encounters prior to hospice recertification and allowing for acute hospital care at home were also enacted.

Congress has since linked the extension of these flexibilities to annual appropriations, with current flexibilities set to expire after September 30, 2025, absent additional congressional action. As a result, providers and suppliers furnishing Medicare telehealth services or otherwise benefitting from these flexibilities will be severely restricted in their ability to furnish telehealth services to Medicare beneficiaries. CMS provides FAQs detailing the status of telehealth flexibilities [here](#). Resources developed by stakeholder organizations may be helpful in navigating a potential end to telehealth flexibilities, including from the [National Consortium of Telehealth Resource Centers](#) and the [Center for Telehealth and e-Health Law \(CTeL\)](#). Recommendations address auditing telehealth workflows, notifying patients, educating and training staff, evaluating financial risk, diversifying funding sources, and more.

Note that telehealth and virtual care flexibilities that CMS has implemented through rulemaking are not affected by the September 30 deadline. For example, patients who remain eligible to receive specified telehealth services from their homes will still be able to receive audio-only telehealth services for such visits under certain conditions. Physicians can also continue to provide direct supervision via real-time audio and visual interactive telecommunications through the end of the calendar year; CMS further proposed to make this flexibility permanent under most circumstances in the calendar year 2026 Medicare Physician Fee Schedule proposed rule.

Medicaid

CMS has stated that it will have sufficient funding for Medicaid to fund the first quarter of FY 2026, based on the advance appropriation provided for in the Full-Year Continuing Appropriations and Extensions Act, 2025.

National Institutes of Health

NIH activities will continue to be largely centered on the ongoing operations at its biomedical research hospital, the NIH Clinical Center, to maintain the safety and continued care of its patients. NIH will provide basic care services to protect the health of NIH animals and retain staff to safeguard ongoing experiments or operations, and facilities and infrastructure.

Food and Drug Administration

The Food and Drug Administration (FDA) will continue its drug and medical device reviews, which are funded by industry-paid user fees. However, the agency has indicated that 14% of its staff will be immediately furloughed in the event of a shutdown. Additionally, almost all of FDA's work related to our food supply is funded by discretionary appropriations, so there may be a disproportionate impact on those activities as a result of a lapse in funding.

Centers for Disease Control and Prevention

The CDC will continue its responses to urgent disease outbreaks and efforts to support the President's Emergency Plan for AIDS Relief (PEPFAR), World Trade Center (WTC) Health Program, the Energy Employees Occupational Illness Compensation Program Act (EEOICPA), and the Vaccines for Children (VFC) program.

Federal Register

During a government shutdown, the Federal Register will continue to publish notices and announcements necessary for the protection of life and property. Services that would be suspended include updating the e-CFR, daily compilation of presidential documents, and technical support for Federalregister.gov.

Public Access to Capitol Hill Buildings

The Capitol Building will be open to Members, staff, and visitors on official business for the duration of the shutdown. Senate and House office buildings will remain open to the public, but only one door in each office building will be open for entry. All events other than necessary official committee proceedings will be canceled, and catering services will be unavailable.

For More Information

Committee for a Responsible Federal Budget: [Government Shutdowns Q&A: Everything You Should Know](#)

Bipartisan Policy Center: [What Happens if the Government Shuts Down?](#)

Washington Post: [How a government shutdown would affect Medicare, Medicaid benefits](#)

The Hill: [Government shutdown looms: What to know about closures, payments and more](#)

Brookings: [What is a government shutdown? And why are we likely to have another one?](#)

CRS: [Past Government Shutdowns: Key Resources](#)

Axios: [The history of government shutdowns and how long they last](#)

Bloomberg Government: [Shutdown Chances Rise as Democrats Vow to Meet](#)