

How Gov't Shutdown Will Affect Federal Health Agencies

By **Miranda Franco** (October 2, 2025)

The federal government shut down at 12:01 a.m. on Wednesday — the first shutdown since 2019.

Currently, no fiscal year 2026 appropriations bills have been enacted. Bicameral, bipartisan negotiations have begun on full-year appropriations for bills related to agriculture, the legislative branch, military construction and veterans affairs, though final agreements have not come to fruition.

These measures could ultimately be included in a future continuing resolution.



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Shutdowns in Historical Context

Government shutdowns have occurred repeatedly over the past three decades when Congress and the White House failed to resolve funding disputes. Notable examples include:

- A 21-day lapse beginning Dec. 16, 1995;
- A 16-day shutdown starting Oct. 1, 2013;
- A record 35-day shutdown beginning Dec. 21, 2018, during which five of the 12 appropriations bills had already been enacted, allowing certain agencies to continue operating; and
- Two shorter shutdowns in January and February 2019.

In many cases, shutdowns have been partial, as some appropriations bills were already law. Importantly, not all federal functions cease during funding gaps. Activities supported by mandatory, permanent or advance appropriations — such as Social Security, Medicare, Medicaid, the Supplemental Nutrition Assistance Program and veterans' health benefits — continue without interruption.

Similarly, operations financed through user fees or trust funds, including Medicare provider claim payments and student loan servicing, generally proceed so long as essential staff remain on duty.

This time, however, the looming shutdown could unfold differently. The Trump administration has directed agencies to prepare not only for furloughs, but also for potential reductions in force — permanent layoffs — signaling a sharper break from previous practice.

Against this backdrop, federal health agencies, including the [U.S. Department of Health and Human Services](#), have released updated contingency plans detailing which activities will continue and which will pause.

While the contingency plan outlines actions for all HHS agencies, this discussion below focuses on the [Centers for Medicare & Medicaid Services](#), the [U.S. Food and Drug](#)

Administration, and the Health Resources and Services Administration.

HHS Priorities and Overall Impact

HHS has underscored that its "main priority in the absence of an enacted annual appropriation is to protect the health of Americans." In the near term, most major programs remain insulated from disruption.

Medicare, Medicaid, the Children's Health Insurance Program and the Affordable Care Act marketplace eligibility functions will continue, backed by mandatory and advance funding streams.

Still, HHS warns that delays are likely in policy development, rulemaking, and certain oversight and enforcement activities. Outreach, education and beneficiary casework may also be curtailed, potentially affecting how the public interacts with agency programs during the shutdown.

CMS Contingency Plan

The Centers for Medicare & Medicaid Services has confirmed that its core entitlement programs will proceed largely uninterrupted:

- Medicare: Operations will continue during the shutdown.
- Medicaid: CMS has sufficient funding to cover Medicaid for the first quarter of fiscal year 2026, from October through December, due to the advance appropriation included in the Full-Year Continuing Appropriations and Extensions Act of 2025. Payments to states for the Children's Health Insurance Program will also continue.
- Marketplace: Federal marketplace activities, such as eligibility verification, will be supported by carryover user fees.

Activities Affected

CMS will limit facility surveys to the most serious complaints. Policy and rulemaking will be delayed, and oversight of contractors — such as Medicare administrative contractors, call centers and IT vendors — will be scaled back. Outreach, education and casework functions will largely be suspended.

Staffing

CMS plans to retain 3,311 staff, around 53% of its workforce, including 3,105 exempt employees funded through nondiscretionary sources, such as user fees and mandatory programs, and 206 excepted staff who perform life-safety or property-protection functions. An additional 84 Commissioned Corps members will continue working.

FDA Contingency Plan

The FDA expects to retain 86% of its staff, thanks in large part to user fee funding. However, its contingency plan highlights significant constraints.

Activities Continuing

User fees will allow the FDA to maintain reviews and approvals of medical products, oversight of tobacco products, issuance of certain guidance, and reviews of requests for clinical research. The agency will also carry out emergency functions, such as recalls, outbreak response, import safety reviews, for-cause inspections and criminal enforcement actions.

Activities Paused

The FDA cannot accept new drug, biologic, biosimilar, device or animal drug applications that require user fee payments. Hiring, staff development and laboratory investments will be paused in areas without carryover funding.

Oversight of unapproved and compounded drugs will stop unless tied to imminent threats to health or safety. Premarket reviews of novel animal food ingredients and broader food safety initiatives will also be halted, leaving only emergency surveillance and responses.

Staffing

Approximately 13,872 employees will continue to work. Of these, 66% are exempt — funded by user fees or other ongoing sources — while 19% are excepted staff handling critical functions.

HRSA Contingency Plan

The Health Resources and Services Administration's fiscal year 2026 contingency staffing plan states that the HRSA will continue to oversee activities funded through mandatory funding, advance appropriations, prior year carryover funds and user fees.

Notably, the HRSA faces a sharper operational strain, with nearly half its workforce expected to be furloughed. Notably, the fiscal year 2026 HRSA contingency plan does not address the Section 340B program.

Staffing

The HRSA will retain 1,028 employees, or 53% of its workforce, including 822 exempt staff funded by mandatory, carryover or user fee sources, and 206 excepted staff assigned to imminent life-safety functions or supporting funded programs. Roughly 47% of staff will be furloughed. The HRSA's 49 Public Health Service Commissioned Corps officers are considered excepted and will continue working.

Activities Continuing

Oversight of the Health Centers Program, Ryan White HIV/AIDS Programs (Parts A and B), the Ending the HIV Epidemic initiative, Teaching Health Center Graduate Medical Education, the National Health Service Corps and the National Practitioner Databank will continue.

Activities Halted or Delayed

Discretionary activities such as issuing fiscal year 2026 notices of funding opportunity, and reviewing grant applications, administrative and IT contracts, program expansions in maternal and behavioral health, workforce initiatives and litigation support.

New Emphasis on Reduction-in-Force Plans

What makes this shutdown distinct is the Trump administration's directive to prepare for reductions in force. Office of Management and Budget Director Russ Vought instructed agencies to consider permanent workforce cuts — a step beyond the temporary furloughs used in past shutdowns. The Office of Personnel Management has updated its guidance for shutdown furloughs to include an entire section on reductions in force.

At present, most agencies' contingency plans do not reference reductions in force explicitly. How these directives might be implemented remains uncertain, but the possibility of permanent cuts could spark labor disputes and litigation, adding a new layer of uncertainty for federal workforces.

Rulemaking

The shutdown will also constrict the regulatory pipeline. The Office of the Federal Register has the authority to publish only documents related to the protection of life and property.

As a result, most rulemakings — including significant HHS and CMS policy proposals — will stall unless deemed emergencies. This restriction could delay key regulatory initiatives, slowing the policymaking process even after a shutdown ends.

Beyond HHS: Section 232 Investigations

Other agencies will continue certain high-profile work. The U.S. Department of Commerce, for example, has confirmed that Section 232 national security investigations into pharmaceuticals and imports of personal protective equipment will proceed even during a shutdown. These probes, launched earlier this year, are intended to assess whether reliance on foreign supply chains poses risks to U.S. security.

Looking Ahead

In the immediate term, core entitlement programs like Medicare and Medicaid will remain protected, and FDA user fee programs will sustain critical review activities.

However, a prolonged shutdown could significantly disrupt FDA review timelines, HHS policymaking and HRSA grant administration.

The overlay of potential reductions in force injects a degree of uncertainty not present in past lapses, raising the stakes for agency staff, regulated industries and stakeholders who depend on timely federal action.

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