



Sept. 26, 2025

Legislative Update: Expected Impacts of a Federal Government Shutdown on Oct. 1

Overview:

Under the current Continuing Resolution passed on March 15, government funding will expire at 12:01 AM ET on the morning of Oct. 1. A Continuing Resolution (CR) extends government funding at existing levels in lieu of passage of a regular appropriations bill—occasionally with minor fiscal changes or additional policy “rider” amendments included—for a predetermined amount of time. Unless Congress reaches a deal on an additional funding package, federal government activities and operations deemed “nonessential” will temporarily cease, while “essential” functions and mandatory spending such as Social Security and Medicare payments will continue under contingency plans determined by federal agencies and the Office of Management and Budget (OMB). Since 1980, there have been [14 government shutdowns](#), with the [longest and most recent shutdown](#) to date occurring from Dec. 22, 2018 – Jan. 25, 2019 under the first Trump administration.

The House of Representatives previously passed [a short-term CR](#) on Sept. 19 that would extend government funding and [several expiring healthcare provisions](#) until Nov. 21. The bill would also appropriate \$58 million for executive and judicial branch security plus \$30 million for legislative branch security. On Sept. 19, Senate Democrats blocked the House-passed CR from advancing in a 44-48 vote, while also proposing [an alternative CR](#) that would extend government funding until Oct. 31 and repeal the [Medicaid cuts included in H.R. 1](#). The Senate Democrat’s proposal would also permanently extend the Affordable Care Act (ACA) enhanced premium tax credits (PTCs), [which expire after Dec. 31](#) of this year. Senate Republicans in turn blocked the Democratic proposal in a 47-45 vote on Sept. 19.

With the Senate recessed until Sept. 29 and the House recessed until at least Oct. 1, *a government shutdown is increasingly likely* barring any last-minute negotiations, or a capitulation by either party into approving one of the two proposed deals in the Senate. However, [Senate Democrats have drawn a red line](#) in opposition to any funding package that does not include an extension of the expiring enhanced PTCs, while President Trump and Senate Republicans have called the Democratic proposal [“unserious and ridiculous,”](#) urging the chamber to pass the House-approved package and continue negotiations around the PTCs at a later date. In an unprecedented escalation, OMB released [a memo on Sept. 24 directing federal agencies to develop Reduction in Force \(RIF\) plans in the event of a shutdown](#). RIF notices would be disseminated to “nonessential” positions whose discretionary funding has lapsed and are not in alignment with President Trump’s policy priorities, thereby permanently eliminating the positions. During previous shutdowns, nonessential workers were traditionally furloughed until funding could be reinstated. [Legislation passed during the 2019 shutdown](#) grants back pay to furloughed federal workers once funding resumes.

General Impact:

In anticipation of a government shutdown, federal agencies work with OMB to delineate “essential” and “nonessential” functions and draft contingency plans to continue operations should funding lapse. While OMB has stated that proposed RIF plans would not be necessary should Congress negotiate a funding deal before Sept. 30, the agency [previously ordered large scale RIFs](#) this spring in alignment with the President’s Department of Government Efficiency initiative. OMB’s memo states that Social Security, Medicare, veteran’s benefits, military operations, law enforcement, Immigration and Customs Enforcement, Customs and Border Protection, and air traffic control programs will continue as normal in the event of a shutdown. Congressional staff do not fall under the purview of the executive branch’s OMB. Essential congressional staff, such as Leadership and senior committee staff, personal offices’ Chiefs of Staff, Legislative Directors, and Schedulers will continue work while junior staffers will be furloughed at the discretion of each office.

The effect of the anticipated shutdown will vary depending on its duration. During previous shutdowns, activities such as environmental and food processing inspections, federal land management, income and federal program beneficiary verification, and air travel were negatively impacted by reduced federal government capacity. During [the 2013 shutdown](#), roughly 900 Food and Drug Administration inspections were delayed, while Environmental Protection Agency inspections of 1,200 hazardous waste and chemical facilities were paused. While National Park Service facilities remained open during the 2018-2019 shutdown, [visitor services such as garbage collection and trail management](#) were halted. During the same 2018-2019 shutdown, labor shortages among Transportation Security Administration agents and air traffic controllers working without pay led to [longer security lines and flight cancellations nationwide](#). While Social Security and Medicare checks would still be distributed during a shutdown, activities such as beneficiary verification and card distribution would stop until funding is reinstated. [During previous shutdowns](#), OMB has directed operations relating to federal contract or grant administration to cease, as employees associated with grant and contract administration are furloughed. OMB has previously stated that new federal contracts may not be awarded unless [they meet certain criteria](#).

Healthcare Impact:

Although OMB has removed [its existing list of agency contingency plans](#) in the event of a shutdown, several public health agencies and the Department of Health and Human Services have published staffing contingency plans carried over from the previous administration. Importantly, these plans may not reflect the recent OMB memo directing large-scale RIFs in the event of a shutdown and are not reflective of agency headcount following [previous RIFs](#) carried out by the Trump administration this year. AMCP continues to monitor for additional guidance from OMB.

[Department of Health and Human Services \(HHS\)](#): HHS’ FY 2025 contingency plan states that 55% of the Department’s roughly 50,000 staff would be retained during a shutdown. This includes staff “authorized by law” or necessary for “the safety of human life and protection of property,” which includes those conducting functions funded by mandatory spending or user fee funds; those appointed by the President; those whose continued work is authorized by statute (such as Medicare); those who perform direct medical services, protect computer data, respond to public health emergencies or pursue criminal enforcement; and Public Health Service commissioned officers.

[Centers for Medicare and Medicaid Services \(CMS\)](#): CMS' FY 2025 contingency plan directs the agency to retain 51% of its employees to continue activities such as dispersing Medicare payments to providers and Medicare Advantage Organizations, as well as implementation of the Inflation Reduction Act's Medicare Drug Price Negotiation program. CMS will also continue disbursement of mandatory Medicaid and CHIP funding to states and will continue operations of the federal health insurance Marketplace. These programs retain funding from previous CRs and federal user fee collections. Activities related to combatting fraud, waste, and abuse, as well as the Center for Medicare & Medicaid Innovation, will also continue operations. CMS does not define which activities will cease during a shutdown, but experts anticipate pauses in rulemaking and policy decisions related to H.R. 1-directed changes to Medicaid and the Rural Health Transformation programs; approval of state applications for federal flexibilities; the rollout of a most favored nation (MFN) drug pricing model; and beneficiary casework services.

[Food and Drug Administration \(FDA\)](#): FDA's FY 2025 contingency plan directs the agency to retain 77% of staff, given the large percentage of agency funding provided by user fees rather than federal appropriations. "Essential" activities expected to continue include: the approval of new medical products; issuance of guidance; and the review of clinical research upon request. While these activities are funded by previously collected user fees, FDA may not accept new user fees during a shutdown, which will prevent the agency from reviewing new drug applications, biologic license applications, medical device premarket application, and premarket notifications through the 510(k) or De Novo pathways. FDA review of submissions made during a shutdown will continue upon the reinstatement of funding. While routine facility inspections may lapse, FDA will also continue to respond to public health emergencies, manage product recalls, conduct criminal enforcement, and any other activities relating to imminent threats to human life.

[Centers for Disease Control and Prevention \(CDC\)](#): The CDC is primarily funded by federal appropriations, granting the agency less flexibility in retaining essential staff in the event of a shutdown. CDC's FY 2025 contingency plan directs the agency to retain 31% of staff and continue operations related to emergency infectious disease response and the collection of state- and local-level infectious disease data. The 31% of remaining CDC staff would include those whose work is necessary for the safety of human life; necessary for the protection of property; or necessary as authorized by federal statute.

[National Institutes of Health \(NIH\)](#): Under NIH's FY 2025 contingency plan, 22.15% of staff would be retained in order to continue the patient care functions of the NIH Clinical Center hospital, and to safeguard ongoing experiments and NIH infrastructure. NIH activities that would cease during a shutdown include the admission of new patients to the NIH clinical center, basic research, some NIH veterinary services, and NIH scientific equipment services.

Existing Funding Proposals:

- Continuing Appropriations and Extension Act, 2026 ([H.R. 5371](#))
 - White House, House Republican and Senate Republican-favored proposal, passed by the House on Sept. 19 by a vote of 217 - 212. Failed to advance in the Senate on Sept. 19 by a vote of 44-48.
 - Would extend government funding at current levels until Nov. 21.

- Also appropriates funding for federal officials' security and extends expiring healthcare provisions until Nov. 21.
- Continuing Appropriations and Extensions and Other Matters Act, 2026 ([S. 2882](#))
 - Senate Democratic-favored proposal, failed to advance in the Senate on Sept. 19 by a vote of 47-45.
 - Would extend government funding at current levels until Oct. 31.
 - Permanently extends expiring enhanced ACA PTCs, repeals Medicaid and ACA provisions of [H.R. 1](#), and extends expiring healthcare provisions until Oct. 31. Also revokes previous recession packages that rescinded funding for the Corporation for Public Broadcasting.

Dates & Deadlines:

- Oct. 1, 2025 (12:01AM ET)
 - Federal government funding under the current CR lapses. A shutdown begins following the dissemination of shutdown guidance from OMB.
 - Medicare telehealth flexibility, adopted during the COVID-19 pandemic will expire.
 - A delay in the Medicaid disproportionate share hospital (DSH) allotment reductions will expire.
 - The Special Diabetes Program, the Community Health Center Fund, and Teaching Health Centers Graduate Medical Education program will expire.
- Dec. 31, 2025
 - Affordable Care Act enhanced premium tax credits expire.
 - AMCP [anticipates](#) that a lapse in enhanced subsidies could lead to 4.2 million enrollees losing Marketplace coverage in 2026.