

# CAPITOL STREET

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October 1, 2025

## Government Shutdown Is Here, What Now?

41% of HHS Furloughed, FDA Reviews Continue

Relevant Companies

ALL HEALTHCARE

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### »» Our Take & Next Up

**A government shutdown is not expected to hinder FDA reviews or CMS payments; however, key policy, research, and communication functions will be halted.** With no FY 2026 funding deal, the government shut down last night at midnight, putting key agency functions on hold as 41% of HHS staff are expected to be furloughed. FDA reviews (funded by user fees) will continue, and Medicaid funding to states will continue to flow. See below for details on impact to each healthcare agency. We expect lawmakers to resolve the shutdown through a clean CR to November. The extension of EPTCs remains uncertain, but any extension agreement is likely to be limited to 1-2 years, in our view, and limited to lower income levels.

### »» Key Points

**The government shutdown began at midnight on Tuesday, Sept 30.** Essential services will continue to operate during a shutdown. There would be no lapse in Medicare or Medicaid payments (hospitals, physicians, health plans) since both are categorized as mandatory spending. Medicaid is funded through the first quarter of FY 2026, and Children's Health Insurance Program (CHIP) payments to eligible states will continue.

**The White House has discretion over who is furloughed (41% of HHS staff).** According to the FY 2026 [contingency plan](#), 41% of HHS employees will be furloughed. Operating Divisions with a substantial direct service component will have more of their staff retained.

- **NIH: NIH would only retain 25% of its staff.** The agency will continue research and clinical activities necessary for the protection of human life or government property, including operations at the biomedical research hospital. But other basic research and analysis would halt.
- **CDC: Around 36% of staff would be retained.** CDC will continue response to urgent disease outbreaks; however, public CDC communication to the American public would halt. There would no longer be ongoing applied public health research, response to public inquiries would be suspended, and analysis of surveillance data for reportable diseases would be suspended.
- **CMS: 53% of staff would be retained.** This includes staff for the Health Care Fraud and Abuse Control and Center (HCFAC), Center for Medicare and Medicaid Innovation (CMMI), Federal Marketplace activities, and Quality Improvement Organizations.
- **FDA: 86% of staff would be retained.** This includes 66% who are exempt (their activities or position are already funded or otherwise exempted) and 19% who are excepted (their activities are deemed

necessary by implication, or for the safety of human life or protection of property).

**Existing product reviews at FDA (BLA/NDA) will continue depending on carryover funds in each user fee account, but new reviews often stall.** As a reminder, FDA relies on two sources of funding: (1) annual funding from Congress, and (2) user fees paid by the industry for the review of certain FDA regulated products (including drugs, generics, biosimilars, and medical devices). During a shutdown, the FDA is expected to continue using the user fees it has already collected to support product review activities. Application reviews are expected to continue during a short shutdown. Regardless of funding, the FDA is expected to continue funding staff for critical public health functions including addressing drug shortages and conducting emergency inspections.

**State of Play: We expect lawmakers to agree on a funding bill over the next few days (shutdown could last a week max).** Lawmakers have still not reached a deal on how to fund the government. We expect any CR deal to include short-term funding for necessary extenders. Key programs waiting to be extended include: Medicare telehealth flexibilities, Community Health Centers (CHCs) funding, Hospital at Home Waiver, Medicare-Dependent Hospital (MDH) Program, Medicaid Disproportionate Share Hospital (DSH) Payment, and Clinical Lab Payments (PAMA). All Medicare Administrative Contractors (MACs) will implement a temporary claims hold for pending extenders. The hold should have limited impact on providers due to the 14-day payment floor.

**The fate of Enhanced Premium Tax Credits (EPTCs) remains a central policy issue in the shutdown battle, with their December expiration posing both coverage and market risks.** The clean short-term CR passed by House Republicans last week extends funding through Nov. 21, but excludes EPTCs, leaving them on track to expire at the end of December. Democrats are currently still pressing for a CR that includes the subsidies, though the likeliest outcome is a more limited 1-2 year extension, given only a small portion of House Republicans support even a scaled-back continuation. As we note in our analysis ([here](#)), a September extension would have been less costly. If EPTCs are patched in December (vs earlier like Sept), the resulting rate shock could drive more healthy enrollees to opt for no coverage, significantly worsening the risk pool in 2026.

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