

Publications

January 28, 2025 • Updates

Funding Freeze for Health Care Providers – What You Need to Know

Last night, the Office of Management and Budget (“OMB”) released a memo directing federal agencies to take several actions impacting federal grant programs (outlined in greater detail below) that are resulting in real money consequences for health care providers today. Providers need to be aware of these issues and the challenges ahead. We are already working with several providers to mitigate damages and develop strategies to respond to these updates in real time. Each provider is unique, and every provider will respond to and be impacted by these changes differently.

What Happened?

Late on January 27, 2025, the Trump Administration’s Office of Management and Budget (“OMB”) released a memorandum placing a moratorium on payments for almost all federal grants (the “OMB Memo”).¹ OMB explained the justification for this pause as follows:

"Financial assistance should be dedicated to advancing Administration priorities, focusing taxpayer dollars to advance a stronger and safer America, eliminating the financial burden of inflation for citizens, unleashing American energy and manufacturing, ending “wokeness” and the weaponization of government, promoting efficiency in government and Making America Healthy Again. The use of Federal resources to advance Marxist equity, transgenderism and green new deal social engineering policies is a waste of taxpayer dollars that does not improve the day-to-day lives of those we serve."

The OMB Memo directs federal agencies to undertake the following tasks:

1. Complete a comprehensive analysis of all existing Federal financial assistance programs to determine their alignment with Presidential orders;
2. During the course of this review, pause (a) the issuance of new awards and (b) the disbursement of federal funds under existing awards. Agencies must also take all other relevant agency actions to comply with this direction and Trump’s executive orders until directed by OMB to do otherwise; and
3. Every federal financial assistance program must be assigned to a senior *political* appointee who will evaluate, modify or cancel existing awards that conflict with Administration policies, and ensure adequate oversight over award distribution.

Related People

- Ryan B. Thurber
- Jennifer L. Evans
- Julius W. Hobson, Jr.

Related Capabilities

- Health Care
- Executive Orders

Timeline

January 27, 2025 – OMB Memo issued

January 28, 2025 (5:00 PM) – Funding freeze implemented (on hold)

February 3, 2025 (5:00 PM) – Order halting funding freeze expires

February 7, 2025 – OMB guidance deadline for agency submission of information regarding identified programs with funding or activities planned through March 15, 2025

February 10, 2025 – OMB Memo deadline for agencies to provide detailed information on review of programs

Why Does This Matter for Health Care Providers?

Providers of every type depend on federal grant funds as a key component of their operating and service budgets. Both the Medicaid and CHIP Programs are structured as “grant” programs to the states and are specifically identified by OMB on the list of grant programs to be reviewed.² Guidance issued today by OMB suggests that Medicaid is a mandatory program that will not be paused, but we have also seen reports from several states, including Illinois, that they are unable to access federal Medicaid funding.³ Regardless of the ultimate outcome, providers can expect temporary uncertainty related to Medicaid funding status.

In addition to major sources of health care coverage, there are innumerable smaller grants that providers rely on to help make ends meet and extend services to their communities, including grants for substance use disorder treatment, provider education and training, telehealth expansion and rural health care services. Without the availability of these programs, even on a temporary basis, health care providers face a difficult operational reality resulting in loss of cash flow, failure to meet payment obligations (even payroll) and service disruption for particularly vulnerable patient populations. We are already aware of providers who have been frozen out of grant portals, and who are unable to draw down funds.

Providers who rely on federal funds should inventory each of their grant programs and determine whether they can still lawfully access funds.⁴ Keep watching this space – there will be rapid developments over the next several days as providers, state governments and other stakeholders respond. There is a wide array of options available to providers to respond to these changes – if you’re unsure of the best path for your organization, we’re here to help.

As of 3:30pm (MST) A D.C. Federal Judge temporarily blocked Trumps administration from freezing federal grants. More details will be available in the webinar tomorrow.

Temporary Reprieve. Late afternoon, D.C. District Court Judge Loren AliKhan temporarily halted the freeze ordered by the OMB Memo to allow additional time for consideration. Judge AliKhan’s order expires February 3 at 5:00 pm, and there will likely be many further developments over the next week.

[1] Executive Office of the President, Office of Management and Budget, M-25-13 *Temporary Pause of Agency Grant, Loan, and Other Financial Assistance Programs* (Jan. 27, 2025).

[2] The OMB Memo specifically exempts Social Security and Medicare, these are the only two express exemptions.

[3] Executive Office of the President, Office of Management and Budget, *Untitled FAQ* (Jan. 28, 2025).

[4] Executive Office of the President, Office of Management and Budget, *Instructions for Federal Financial Assistance Analysis in Support of M-25-13* (Jan. 27, 2025).