

# HHS Sequestration Impacts States

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The Office of Management and Budget recently released a report on the impact of potential sequestration for each agency as required by the Sequestration Transparency Act of 2012 (STA). The Department of Health and Human Services had some significant cuts that effect both HHS and state governments.

The STA, signed by Obama on August 7, gave the administration 30 days to identify, for each account to be sequestered, estimates of the “level of sequestrable budgetary resources and resulting reductions at the program, project, and activity (PPA) level based upon the enacted level of appropriations.” It clearly was impossible for agencies to pull together information down to the activity level within 30 days and the report states that “the sheer volume of data presents administrative challenges that require additional time for OMB to address.”

The OMB report, released a week after Congress’ deadline, provides only a bit of information on the impact of sequestration. The Budget Control Act (BCA) of 2011 established a uniform percentage reduction across accounts, specifically stating that “except as otherwise provided, the same percentage sequestration shall apply to all programs, projects, and activities within a budget account.” The percentage applied for non-defense mandatory spending is 7.6% and 8.2% for discretionary spending.

## HHS Sequestration Exemptions

As a critical social services provider and funder, the Department of Health and Human Services had some significant programs that are exempt from sequestration; but it likewise has some programs that will experience high sequestration. The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) as amended, identifies programs exempt from sequestration and subject to special rules. The percentage cuts in OMB’s sequestration report, and the identification of exempt and non-exempt accounts, reflect the requirements set forth in the BBEDCA. The administration cannot choose which programs to exempt, or what percentage cuts to apply. Notable exemptions (>\$200m) to budget accounts for HHS are shown below:

Dept/Bureau	Budget Account	Total Budget Amount (\$ m)	Exempt Amount (\$ m)
<b>HHS</b>			
Agency for Healthcare Research and Quality	Healthcare Research and Quality	351	351
Centers for Disease Control and Prevention	CDC-Wide Activities and Program Support	6,369	709
Centers for Medicare and Medicaid Services	Program Management	5,286	4,828
Indian Health Service	Indian Health Services	5,031	1,165
National Institutes of Health	National Institutes of Health	34,093	3,382
Program Support Center	Retirement Pay and Medical Benefits for Commissioned Officers	528	528
Substance Abuse and Mental Health Services Administration	Substance Abuse and Mental Health Services Administration	3,640	292

**State governments will be impacted by sequestration at HHS.** Although some grant accounts are fully or partially exempt, such as State Medicaid Grants, others are sequestrable, such as:

- HHS Child Care and Development Block Grant
- HHS Social Services Block Grant
- HHS Affordable Insurance Exchange Grants
- HHS State Grants and Demonstrations

Notable sequestration amounts per budget account (>\$200m) for HHS are shown below:

Dept./Bureau	Budget Account	Total Budget Amount (\$m)	Sequestration Amount (\$m)
<b>HHS</b>			
Administration for Children and Families	Low Income Home Energy Assistance	3,472	285
Administration for Children and Families	Children and Families Services Programs	9,934	812
Centers for Disease Control and Prevention	CDC-Wide Activities and Program Support	6,369	464
Centers for Medicare and Medicaid Services	Federal Supplementary Medical Insurance Trust Fund	3,426	281
Food and Drug Administration	Salaries and Expenses	3,940	318
Health Resources and Services Administration	Health Resources and Services	6,305	509
Indian Health Service	Indian Health Services	5,031	317
National Institutes of Health	National Institutes of Health	34,093	2,518
Substance Abuse and Mental Health Services Administration	Substance Abuse and Mental Health Services Administration	3,640	275

Unfortunately for contractors that are trying to prepare for sequestration, this report provided few details into specific program impacts. How and when HHS will make these cuts down to the program, project, and activity (PPA) level is still a mystery and assumedly on-going work of the administration as OMB said it would need more time to produce. Stay tuned ...