Between October 1 and 17, the federal government ceased all nonessential operations because of a partisan stalemate over Obamacare. Although it is premature to declare this the greatest example of misgovernance in modern U.S. Congressional history, this impasse ranks highly.

One casualty of the showdown was any consideration of changes to lessen the impact of the across-the-board sequestration cuts that began on March 1. The cuts have caused economic and other distress across the nation, including serious impacts within the health care sector. Nearly eight months into sequestration, we can move beyond predictions and begin to quantify these effects. (http://www.nejm.org/doi/full/10.1056/NEJMp1303266)

Consider the following impacts of sequestration on Federal health agencies and activities:

**NATIONAL INSTITUTES OF HEALTH**

**Cuts to the FY13 budget: $1.71 billion or 5.5%**

This includes:
- A 5.8% cut to the National Cancer Institute, including 6% to ongoing grants, 6.5% to cancer centers, and 8.5% to existing contracts
- A 5.0% cut to National Institute of General Medical Sciences, and a 21.6% drop in new grant awards

Among the effects:
- 703 fewer new and competing research projects
- 1,357 fewer research grants in total
- 750 or 7% fewer patients admitted to NIH Clinical Center
- $3 billion in lost economic activity and 20,500 lost jobs
- Estimated lost medical and scientific funding in California, Massachusetts, and New York alone of $180, $128, and $104 million respectively.

Dr. Randy Schekman, whose first major grant was from the National Institutes of Health in 1978, said winning this year’s Nobel Prize for Medicine made him reflect on how his original proposal might have fared in today’s depressed funding climate. “It would have been much, much more difficult to get support,” he said. Congresswoman Zoe Lofgren (D-Calif.) noted the irony that because of sequester cuts, NIH funding was reduced for the research that resulted in Yale’s James Rothman sharing in the 2013 Nobel Prize for Medicine.

**U.S. CENTERS FOR DISEASE CONTROL AND PREVENTION**

**Cuts to 2013 budget: $285 Million or 5%**

This includes:
- $160 Million in cuts to state, county and local government public health assistance, including $33 million for state and local disaster preparedness.
- $40 Million in reductions in HIV prevention activities.
- $25 Million in funding cuts for global polio, measles, malaria, and pandemic flu
reduction efforts and the Strategic National Stockpile.
• $13 Million in reductions in emerging infection disease response.

Among the effects: 175,000 fewer HIV tests.

MEDICARE

Cuts to 2013 budget: $11.08 billion representing a 2% cut in payments to hospitals, physicians, other medical providers, Medicare Advantage insurance companies, and Part D prescription drug plans.

Among the effects:
• Some providers have indicated that payment reductions discourage them from accepting Medicare patients. (http://www.communityoncology.org/site/blog/detail/2013/05/09/may-9-2013-sequestration-cuts-threaten-seniors-au-cancer-care-while-increasing-medicare-costs.html)
• Cancer clinics have turned away Medicare patients because of reduced reimbursement for chemotherapy drugs.
• Private payers facing cuts to Medicare Advantage and prescription drug plans may impose higher premiums or increase cost sharing.
• Some administrative functions, including fraud and abuse and quality oversight, face reductions of more than 2%, raising the possibility of increased program costs and reduced quality of care. (http://www.fas.org/sgp/crs/misc/R42050.pdf)

U.S. FOOD AND DRUG ADMINISTRATION

Cuts to 2013 budget: $209 Million or 5% Among the effects:
• Reduced food inspections
• Fast track review of new “breakthrough” drugs stalled

In 2012, Congress passed legislation to create a new pathway by which potential “breakthrough” drugs could receive expedited approval, financed by new user fees on the pharmaceutical and medical device industries. The breakthrough drugs are intended for the treatment of life-threatening diseases where “preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies.” Though 24 drugs have been classified as breakthrough as a result of the law, sequester cuts have prevented the FDA from hiring scientists to implement the fast-track reviews. Ellen Sigal, founder of Friends of Cancer Research notes that, “Because of sequester cuts, FDA reviewers often cannot even attend major research conferences where data on drugs they will review are presented.”

IMPACT ON FEDERAL HEALTH PROGRAMS

$472 million in cuts: Environmental Protection Agency delays implementation of monitoring sites for dangerous air pollutants and cuts to grants to state regulators.

$386 million in cuts: Indian Health Services resulting in 3,000 fewer inpatient admissions and 804,000 fewer outpatient visits in tribal hospitals and clinics.

2014 AND BEYOND

Unless repealed or replaced, sequestration requires $109 billion annually in new federal cuts each year through fiscal year 2021. An important difference in 2014 and beyond is that Congressional appropriators may distribute reductions as they choose, provided that Congress agrees on a budget plan. Without such an agreement, cuts will be across the board, as they have been in FY13.

The new agreement among President Barack Obama and the House and Senate ended the government shutdown and averted debt default until early in 2014. The new continuing resolution deadline — January 15 — was set purposefully, as it’s the date when the 2014 round of sequestration cuts are scheduled to take full effect. Between now and then — less than 90 days — Congress has the opportunity to reconsider the structure and impact of sequestration and avert or minimize continuing damage to the health agencies and programs Americans rely on.