Federal Budget Cuts Enacted March 1; HHS Agencies Grapple with Consequences

The across-the-board 5.1 percent budget cuts that went into effect March 1 slash the NIH budget by $1.553 billion and the NCI budget by $219 million for the remaining fiscal year, officials say.

These deep budget reductions, known as sequestration, affect the entire federal government—with no exemptions for the components of the Department of Health and Human Services.

The cuts are expected to reduce the number of NIH grants, eliminate 2,000 jobs at state and local health departments because of cuts to Centers for Disease Control and Prevention, and trim over 80 programs at the Healthcare Resources and Services Administration.

Medicare and Medicaid payments to doctors, hospitals and health plans will be reduced by 2 percent beginning April 1.

Congress designed sequestration in 2011, gambling that the prospect of swallowing so bitter a pill—a $1.2 trillion across-the-board cut over a decade—would force Congress to agree on a deficit reduction deal.

“Despite numerous statements by the president, and by leading members of Congress, and by a number of efforts by our advocates, the sequester has gone into effect as of March 1,” NCI Director Harold Varmus said to the Board of Scientific Advisors March 4. “So we are developing scenarios to absorb that decline, both at the NIH and at every institute.”

A transcript of Varmus’s remarks appears on p. 7 and the video is available on The Cancer Letter website.

While NIH takes a 5.1 percent cut, NCI does slightly better, with a 4.4 percent hit relative to last year’s budget, because the current continuing resolution is above the FY2012 level for the institute.

Funding for the coming months will depend on Congress’ ability to pass appropriations measures that will carry the agencies through the end of the fiscal year, Sept. 30.

“This could be done through another continuing resolution, through a more typical appropriations bill, or through some kind of omnibus bill that bundles measures affecting many agencies,” Varmus said to the BSA.

The sequester at NIH could cost about 100,000 U.S. jobs, according to an estimate by Sen. Ben Cardin (D-Md.), speaking in a Feb. 8 town hall meeting at NIH (The Cancer Letter, Feb. 15).

A report by United for Medical Research, an umbrella group of research organizations, found that the total number of jobs supported by NIH extramural spending is estimated to be cut by more than 20,500 and that cuts...
will delay $3 billion in new economic activity.

Neither NIH nor NCI is able to provide a full assessment of the impact of sequestration at this time, because of the FY2013 continuing resolution that expires on March 27.

However, according to an operation plan released Feb. 21, NIH will likely “reduce the final FY 2013 funding levels of non-competing continuation grants and expects to make fewer competing awards to allow the agency to meet the available budget allocation.”

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