Potential Impact of Sequestration on Public Health

September 2012

What Is Sequestration?

Sequestration is the process of making automatic budget cuts to federal government programs, projects, and activities. The sequester was included as a budget reduction enforcement mechanism as part of the Budget Control Act of 2011 (P.L. 112-25), a debt limit law, to incentivize the deficit "supercommittee" to identify an additional $1.2 trillion in budgetary savings over 10 years. The failure of the bipartisan supercommittee to come to an agreement on a deficit reduction plan in the fall of 2011 triggered a sequester that is scheduled to take effect on January 2, 2013 unless Congress reaches an agreement to pass legislation to postpone it or find other ways to reduce the federal deficit.

In the context of funding federal programs, sequester means imminent, across-the-board cuts to most programs, both defense and nondefense—in addition to the $1 trillion in cuts already sustained through the Budget Control Act's discretionary caps.

FIGURE 1.

Public Health Sequestration Impact
($s in millions)

Agency/Program	FY 2012	–8.4%
HRSA	$6,215	–$522
CDC	6,485	–545
SAMHSA	3,347	–281
HPP	380	–32
FDA	2,506	–211
PPH Fund	1,000	–84
WIC	6,618	–556
EPA Clean Water	1,469	–123
EPA Drinking Water	919	–77
Total	**$28,939**	**–$2,431**

There are a few programs that are exempt from the sequester in the first year, such as the Vaccine Injury Compensation Trust Fund, the Energy Employees Occupation Illness Compensation Fund, child nutrition programs (with the exception of the WIC program), Supplemental Nutrition Assistance Program, and the Temporary Assistance for Needy Families program. The Vaccines for Children Program (through Medicaid) is also exempt from sequestration. A total list of the exempted programs can be found at the Cornell Law School's website[1]. Unfortunately, no discretionary public health program is exempt from funding reductions.

How Would Sequestration Affect Federal Public Health Agencies?

At the top line public health agency level, sequestration would cut about **$2.4 billion dollars from public health programs in FY 2013 alone**, with less than three-quarters of the fiscal year remaining. Estimated top line agency funding impacts in figure 1 are based on fiscal year (FY) 2012 appropriated levels.

In 2013, the sequester will mean an automatic 8.4 percent[2] cut to program funding levels in 2013 for most nondefense discretionary (NDD) programs. The final across-the-board percent reduction applied to NDD programs will be determined by the Office of Management and Budget using the most accurate and up-to-date federal budget information available. No department or agency will have control over how the sequester impacts the overall funding of individual programs, although the executive branch will make grant-by-grant and funding administration decisions.

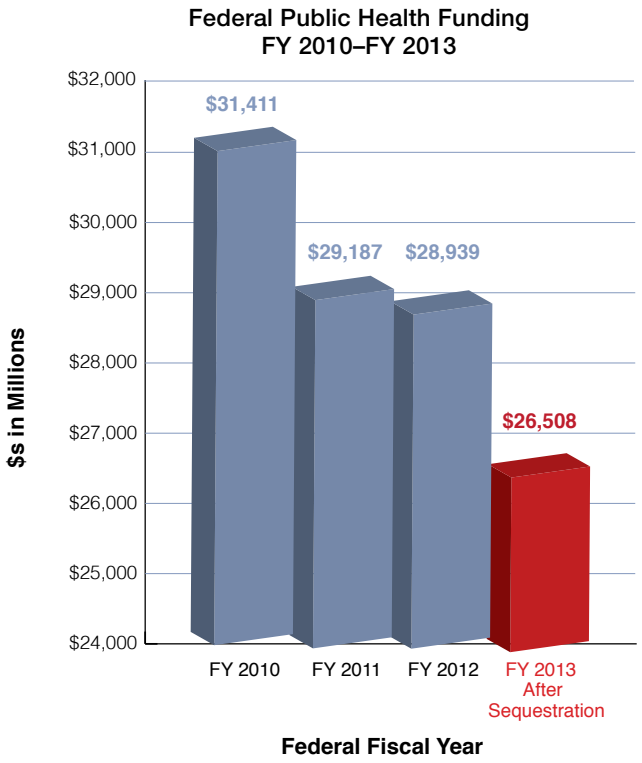
Sequestration's large cuts will be devastating to the public health infrastructure. Figure 2 shows the funding levels for federal public health programs in FYs 2010–2012 and an estimate for FY 2013 after sequestration has taken effect. It is important to note that federal public health spending already has been reduced by $2.5 billion, or 8 percent, from FY 2010 through FY 2012. Sequestration will reduce that level by an additional $2.4 billion, or 8.4 percent, in a single fiscal year for a total reduction since 2010 of $4.9 billion, or 16 percent.

[1] The exempted list under U.S. Code can be found at http://www.law.cornell.edu/uscode/text/2/905

[2] This estimate of the across-the-board percent reduction that will be applied to NDD programs is derived from the Center for Budget and Policy Priorities (Kogan, R. "How the Across-the-Board Cuts in the Budget Control Act Will Work." Center for Budget and Policy Priorities. April 2012. Available at http://www.cbpp.org/files/12-2-11bud2.pdf

Accessed 09-05-2012.). This is the mid-range estimate of the percentage reduction from three sources. Other organizations estimate the NDD across-the-board reduction at 7.8 percent (Congressional Budget Office. "Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act." September

FIGURE 2.



2011. Available at http://www.cbo.gov/sites/default/files/cbofiles/attachments/09-12-BudgetControlAct.pdf) and 8.8 percent (Bipartisan Policy Center. "Estimated Savings from the Budget Control Act Sequester." May 2012. Available at http://bipartisanpolicy.org/sites/default/files/Estimated%20Savings.pdf. Accessed 08-24-2012.).

How Would Sequestration Impact State and Local Public Health Agencies' Budgets?

The reductions to public health programs associated with the sequester will likely fall disproportionately on **grants to outside entities, which includes state and local public health agencies**. In order to achieve significant deficit reduction in a single fiscal year, federal agencies will examine all availablemeans to find savings. One potential savings mechanism is a federal reduction-in-force (RIF), but according to the Center for American Progress[1]:

Because federal agencies also have fixed costs such as space and utilities, often in centralized accounts that will be reduced, these cuts will invariably be passed back to programs through assessments, which may result in even deeper cuts than 8.4 percent. **The resulting impact on state and local grantees will likely be higher than an 8.4 percent reduction—and could easily approach an 11 percent reduction or higher.** To achieve this level of reduction, programs that award funds competitively and not through a statutorily-determined formula may reduce the overall number of grants, which may result in some grant funding being lost entirely.

> *"The problem … is that the government, just like employers in the private sector, faces significant termination costs when employees are RIFed. In many instances half or more of the first year's savings from a reduction in force are lost in termination costs. A RIF initiated in the second quarter of a fiscal year is likely to produce little or no savings in that fiscal year. As a result, a RIF eliminating the entire workforce of the FBI or the Food Safety and Inspection Service might not achieve a nine percent or 10 percent savings as mandated by the Budget Control Act."*

Because the national public health enterprise relies on federal, state, and local level coordination and integration, the loss of federal grant support jeopardizes not only the federal technical assistance on best practices, guidance, and federal prioritization, but also the direct public health response and health promotion activities on the ground in our communities and states. One might think of our public health system as a three-legged stool and a significant cut applied very rapidly to one leg of that stool will put the system on shaky footing.

Given that funding reductions will be administered during the fiscal year's second quarter or later, the dollar amount total of the annualized cut of 8.4 percent will be taken entirely in the last half of the fiscal year—essentially doubling the effective downward spending rate impact of the sequestration in some programs. Further complicating the implementation of cuts, states must comply with union agreements and other employment rights that govern furloughs and RIFs that will delay and restrict when cuts can go into effect at the grantee level.

[3] Lilly, Scott. "How Sequestration Would Work: Estimating the Consequences of Sequestration on Agency Performance, Personnel, and the Employees of Federal Contractors." Center for American Progress. June 2012. Available at http://www.americanprogress.org/wp-content/uploads/issues/2012/06/pdf/sequestration.pdf. Accessed 08-24-2012.

What Is the Timing for Sequestration Cuts?

The Administration has not announced planning guidance or information on timing for implementing sequestration. Consequently, it is unclear when the reductions will occur.

According to current law, the sequestration order will occur on January 2, 2013. At that time, the government most likely will be operating under a six-month stop-gap funding bill, commonly referred to as a continuing resolution. During the continuing resolution, the executive branch will likely allocate federal resources very conservatively. Thus, funding made available as early as the first quarter of the fiscal year—even prior to the sequestration order—may be more tightly controlled, or possibly held back, pending decisions on how to implement sequestration.

The timing of actual grant-by-grant funding cuts will likely vary by program based on the program's grant cycle. The dollar amount equivalent of the estimated 8.4 percent cut to public health programs would likely occur the next opportunity that a grant is made available with fiscal year 2013 funding. For example, if grant funding is typically issued in one lump sum in July of each year, then the reductions will likely not be "felt" by health departments until July of fiscal year 2013. If grant funding is issued quarterly, then reductions may be felt even before the sequestration order is issued, with greater reductions potentially being applied in the second, third, and fourth quarters.

Since 2008, 48 states have reported budget cuts to health departments, and more than 45,700 state and local health department jobs have been lost. These cuts have occurred across the spectrum of public health, including immunizations, maternal and child health, food safety, public hospitals and clinics, and programs that prevent diseases such as diabetes, cancer, and HIV/AIDS.

Other variables may also impact the timing for funding cuts. Congress could enact legislation to prevent, delay, or modify sequestration, and final fiscal year 2013 appropriations bills could be enacted before March 31, 2013, which will impact the ultimate funding levels on which the across-the board percentage reduction will apply for individual programs.

How Sequestration Would Hurt State and Local Public Health

The net effect of sequestration to state and local public health agencies will be devastating reductions to programs in the fiscal year's third and fourth quarters. These cuts will put the public at greater risk for infectious disease outbreaks, including whooping cough, foodborne illnesses like E. coli and salmonella, life-threatening healthcare-associated infections from routine hospital stays, and the elimination of Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) food benefits for many families. When natural disasters such as tornadoes and floods occur, public health system response times will increase because fewer rescue and medical workers would be available to respond, increasing hospitalizations and risking lives.

For state public health agencies, these cuts would come on top of widespread state and federal budget cuts that have occurred for the past several years and have already severely weakened our nation's public health system.

By applying an 8.4 percent reduction to the state grant funding levels from just nine federal public health programs[4], the impact to state public health varies from $3.5 million for North Dakota to $150 million for California. Figure 3 shows the estimated total state-by-state reductions for these nine programs combined. Actual reductions overall will likely be much greater once all federal public health grant programs are taken into consideration. These nine grants were chosen to illustrate how destructive the potential cuts will be to some key public health programs, but do not represent the full impact that sequestration will have on state public health.[5]

[4] These nine federal programs are: WIC, the Section 317 Immunization Grant Program, the Preventive Health and Health Services Block Grant, Ryan White HIV/AIDS Program Part B, the Public Health Emergency Preparedness Cooperative Agreements, the National Breast and Cervical Cancer Early Detection Program, EPA State and Tribal Assistance Grant Program, CDC chronic disease categorical programs, and the Hospital Preparedness Program.

[5] Two other analyses offer other state-by-state budget reductions and are worth a review for additional perspective. Sen. Tom Harkin (D-IA) released a report on July 2012, "Under Threat: Sequestration's Impact on Nondefense Jobs and Services." Available at http://harkin.senate.gov/documents/pdf/500ff3554f9ba.pdf. Accessed 08-24-2012. The Aerospace Industries Association commissioned an economic analysis released July 2012, "The Economic Impact of the Budget Control Act of 2011 on DOD and non-DOD Agencies." Available at http://www.aia-aerospace.org/assets/Fuller_II_Final_Report.pdf. Accessed 08-24-2012.

FIGURE 3.

Estimated State-by-State Federal Public Health Program Reductions for Nine Selected Programs in FY 2013 After Sequestration			
State	**FY 2013 Total Cuts**	**State**	**FY 2013 Total Cuts**
Alabama	$17,058,212	Alaska	$5,497,227
Arizona	20,224,165	Arkansas	11,314,800
California	150,216,001	Colorado	13,283,332
Connecticut	10,061,142	Delaware	4,632,311
District of Columbia	6,939,633	Florida	57,468,091
Georgia	37,644,133	Hawaii	6,478,828
Idaho	5,765,815	Illinois	38,195,011
Indiana	18,860,148	Iowa	9,985,518
Kansas	9,086,210	Kentucky	16,059,652
Louisiana	18,548,372	Maine	5,218,213
Maryland	20,477,331	Massachusetts	19,365,677
Michigan	31,810,427	Minnesota	16,760,870
Mississippi	12,934,717	Missouri	18,288,524
Montana	4,443,300	Nebraska	6,392,794
Nevada	8,364,117	New Hampshire	4,743,757
New Jersey	26,879,449	New Mexico	7,922,965
New York	79,684,178	North Carolina	29,711,420
North Dakota	3,950,019	Ohio	33,543,984
Oklahoma	13,172,738	Oregon	11,804,877
Pennsylvania	34,882,931	Rhode Island	5,316,330
South Carolina	15,868,144	South Dakota	4,417,527
Tennessee	18,177,814	Texas	79,143,355
Utah	8,393,279	Vermont	3,907,166
Virginia	19,384,004	Washington	22,635,593
West Virginia	8,268,407	Wisconsin	17,176,228
Wyoming	3,463,892		
American Samoa	1,475,934	Guam	1,499,261
Marshall Islands	540,995	Micronesia	344,744
N. Mariana Islands	648,136	Puerto Rico	27,908,687
Republic Of Palau	515,707	Virgin Islands	1,317,539

Fast Facts on Sequestration's Impact on Public Health

The impact of sequester is more than a mathematical exercise. Sequester will have an impact on the public's health and the people who are served and who benefit from these investments. At the national level, sequestration will have the following potential impacts:

- "CDC funding holds together a fragile nationwide network of front-line public health responders; sequester would make all Americans less safe, increase preventable illness, and increase healthcare costs. Virtually every state and community in the United States would be at higher public health risk from natural or terrorist threats, and the ability to stop deadly outbreaks would be undermined…The time it takes to deliver medical countermeasures after an attack or natural disaster will increase."
  – The Coalition for Health Funding
- "More than 750,000 mothers and infants will be cut from WIC."
  – Friends of Maternal and Child Health and the Association of Maternal & Child Health Programs

  "Prenatal participation in WIC has been demonstrated to save health care dollars:
  - Preterm births cost the U.S. over $26 billion a year.
  - The average first year medical costs for a premature/low birth-weight baby is $49,033 compared to $4,551 for a baby without complications.
  - WIC prenatal care benefits reduce the rate of low birth-weight babies by 25 percent and very low birth-weight babies by 44 percent.
  - Every dollar spent on pregnant women in WIC produces $1.92 to $4.21 in Medicaid savings for newborns and their mothers."
    – National WIC Association
- Funding reductions would cut federal support for 2,500 specialized disease detectives in state and local health departments; outbreaks of foodborne disease, meningitis, pneumonia, and other conditions would be investigated and stopped more slowly or not at all. An estimated 150 fewer foodborne outbreaks would be identified and stopped promptly. A single outbreak can cost millions of dollars in healthcare and productivity losses, send hundreds of people to hospitals, and kill children and adults.
  – The Coalition for Health Funding
- "Life-saving immunizations would be denied to children and adults. Approximately 840,000 fewer vaccines would be made available, increasing the risk of preventable outbreaks.
  - Public health programs that protect the U.S. population by reducing vaccination disparities would be cut.
  - Between 210,000 and 840,000 children and adults would be denied life-saving vaccines that prevent hepatitis B, influenza, measles, and pertussis outbreaks."
    – The Coalition for Health Funding
- "The time to identify and appropriately treat victims of a chemical attack would double from five days to up to two weeks, increasing suffering and death, as support is eliminated for laboratories, which can diagnose and help doctors treat patients. The uncetainty resulting from this delay would have significant consequences in national security and economic stability."
  – The Coalition for Health Funding
- Approximately 659,000 individuals in the U.S. will not be tested for HIV due to the reduction in the availability of HIV tests and prevention. Moreover, cuts to the program that provides life-saving medications that treat HIV disease in people who are uninsured, the AIDS Drug Assistance Program, will result in 12,219 people losing access to these medications. "Research has shown that HIV medication reduces ability to pass on the virus to others. Thus, a strong treatment program is essential to stopping the transmission of HIV and AIDS."
  – "Under Threat: Sequestration's Impact on Nondefense Jobs and Services," Senate report by Sen. Tom Harkin.
- "Fifty thousand fewer women would be screened for breast and cervical cancer, resulting in 800 fewer cancers detected early."
  – The Coalition for Health Funding
- "Conditions such as diabetes, heart disease, obesity, asthma, and arthritis account for an estimated 75 percent of annual healthcare costs in the U.S. ($2.5 trillion per year) would continue to increase unabated. Federal and state capacity to combat and prevent the major health problems facing the U.S. would be dismantled and hundreds of jobs would be lost. Program reductions will result in stagnation or reversal of recent progress in preventing or delaying the onset of these chronic diseases and associated reductions in death and disability from cancer, diabetes, heart disease and other conditions."
  – ASTHO

Sequestration's Impact on the States

Combating Vaccine-Preventable Diseases in Washington State

Mary Selecky

Secretary | Washington State Department of Health

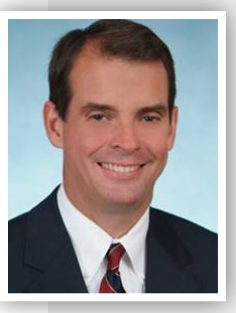
"Washington's public health network is an investment that pays off every day. You can see it in the little things that people often take for granted—water that's safe to drink, food that's safe to eat, and communities that are protected from infectious diseases. State and local public health agencies are always working to keep our communities safe.

Unfortunately, in the past five years, deep state and federal budget cuts have had a significant impact on public health agencies. Hundreds of public health jobs in the state have been cut, forcing agencies to drop services and turn some folks away.

Meanwhile, the work never stops. In fact, the need to protect and improve health is growing. In April, I declared a whooping cough epidemic in Washington. To date this year, there have been more than 3,700 cases. That's ten times the number we would typically expect. Combating this outbreak is a top priority. It takes staff to track and monitor the disease, order and supply vaccine, and get the word out to health care providers, the public and the media.

Inadequate public health systems can have deadly consequences. In many developing countries, tuberculosis, polio, cholera and malaria continue to cause illness, disability, and death. Travelers often bring measles and other public health problems to our communities. Our public health network must be ready to intervene.

Washington has a strong public health system with innovative partnerships and approaches. That system must be supported with adequate funding at all levels. It's an investment that pays off with healthier people and healthier communities.



Responding to Outbreaks in Oklahoma

Terry Cline

Commissioner of Health | Oklahoma State Department of Health

"The Oklahoma Department of Health relies heavily on Public Health Preparedness and Response funding for disease outbreak investigations. Over the past four years, our agency has responded to a total of 244 outbreak situations, including the national level H1N1 response and the meningococcal outbreak in the northeast region of our state. In the past few months alone, Oklahoma has seen an unprecedented outbreak of the West Nile virus, with more than 70 infections and multiple deaths so far this summer. With more warm days and cooler nights to come and an increase in outside sporting events and activities, we unfortunately anticipate that number to climb even higher.

Approximately 60 percent of our agency's revenue is derived from federal funding. **Therefore, across-the-board reductions in federal public health programs could cripple or eliminate necessary public health functions in Oklahoma**. It is imperative that Congress avert any further cuts to preparedness and response programs or any number of the public health programs that protect our citizens and keep them safe and healthy. Any further damage to these programs will put millions of Oklahomans' lives in danger and weaken our readiness across the United States."

Addressing America's Major Health Problems in Arkansas

Paul Halverson

Director of Health and State Health Officer | Arkansas Department of Health

"There is no question in my mind that the United States is facing the next great plague—chronic disease. Americans are increasingly being 'infected' with debilitating ailments such as diabetes, heart disease, stroke, and other maladies that shorten lives and cost our healthcare system hundreds of billions of dollars every year. The only way we can combat this is through proper funding for programs that provide necessary prevention screening, educate on the dangers of ignoring chronic disease, and end this needless, costly suffering.

Seven out of every 10 deaths in Arkansas are the result of chronic disease. Specifically, my state significantly struggles with the health consequences of stroke. Our stroke rate is 33 percent higher than the national average. Unfortunately, you have a greater chance of dying from a stroke in Arkansas than you do in any other state—we average nearly 1800 deaths from stroke each year, a rate of nearly five deaths per day.

Ignoring the fact that we are being overrun with chronic disease will only make the situation more critical. We cannot afford to ignore the fact that about 25 percent of people with chronic disease have issues performing even the simplest tasks such as dressing or bathing, and which may also hurt their ability to maintain a job. **We cannot afford to ignore the fact that the disabling symptoms that come with chronic diseases decrease the overall quality of life.** Chronic disease touches us all and we must hit this head on.

With federal investments, we have developed programs that work. We must ensure that federal funding continues to aid states with public health priority areas such as tobacco control, cancer prevention, obesity programs, and diabetes control. It is up to public health officials in every state to make our communities healthier, and with partners in the federal government, we are determined to do just that. Fixing this problem doesn't happen overnight, but the long term benefits are profound. Over the long run we will not only see the progress of our tireless work, but our country will reap the rewards of a healthier nation. Eliminating funding for vital chronic health programs will send us down a path of public health destruction."

Responding to the Public Health Consequences of Disasters in North Dakota

Last year North Dakota faced widespread and devastating flooding, which displaced thousands of lives and cost the state billions. The North Dakota Department of Health, along with local public health partners, was the first and last line of defense in ensuring the public health safety of those in the crosshairs of the flood.

During this disaster, numerous healthcare facilities were evacuated, including one nursing home housing 231 residents. They were also tasked with evaluating other potentially vulnerable health-care facilities and enacting flood risk analyses. They were prepared to respond to all situations as they arose, including loss of utilities, shelter-in-place events, support of search and rescue missions, and full evacuation. There were 491 hospital beds and 558 long-term-care beds identified for a widespread evacuation and medical sheltering procedures were in place for up to 700 individuals using pre-deployed medical equipment and coordinated medical volunteers from surrounding jurisdictions.

Luckily, no North Dakotan died during this devastating natural disaster. A large part of that was due to the exceptional team of public health professionals and the assistance of the federal government through the Public Health Emergency Preparedness program and the Hospital Preparedness Program. **These federal funds provided, and continue to provide, North Dakota with the essential tools to keep their citizens safe from such disasters**. The outcome would not have been as successful had these funds been eliminated. Any further reductions to these programs will undoubtedly place greater risk on the citizens.

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