Shutdown Snapshot: How the Federal Shutdown Impacts Behavioral Health Services

Purpose: The National Council for Mental Wellbeing recently conducted a survey of its membership with the goal of understanding the immediate and anticipated impacts of the federal government shutdown on mental health and substance use care organizations and the individuals they serve across the country.

The National Council's survey received responses from 215 members, encompassing 40 states, Puerto Rico and the District of Columbia. Respondents included leaders and staff from organizations including Certified Community Behavioral Health Clinics (CCBHCs), Community Mental Health Centers (CMHCs), Opioid Treatment Programs (OTPs), government entities, and others.

1. Experience With Federal Funding Disruptions

Question: Have you already experienced any disruptions to anticipated federal funding sources because of the shutdown?

Findings:

- Over 40% of respondents indicated that they had experienced funding or service interruptions.
- Commonly cited impacts include delays in reimbursement or grant payments, a pause in SNAP benefits, and administrative uncertainty in managing cash flow.

Sample responses:

- "Yes — the CMS Telehealth Waiver is on hold, requiring patients to come in person for visits. Grant funding at the state level has been decreased, minimizing the number of grant-funded individuals for whom we can provide services."
- "Yes, funding directly (from the federal government) and pass-through funding (from the state) have been delayed."
- "All of my clients will be without SNAP benefits in November. My clients have already seen a decrease in food available at local food pantries."
- "There were delays in access to and payments received for a SAMHSA grant."
- "Yes, some of our prevention and education services have not received payment due to the shutdown. Some of our other federal funding has also been delayed."

2. Anticipated Future Disruptions

Question: Do you anticipate funding disruptions should the shutdown go past Oct. 30?

Findings:

- Over 62% of survey respondents anticipated funding disruptions for a shutdown lasting longer than 30 days.
- This demonstrates widespread concern among providers that extended instability could significantly disrupt operations.

Sample responses:

- "We expect disruptions for our education and prevention programs as well as some of our CCBHC and MHAT grant programming if funding cannot be drawn down."
- "We are especially worried about state grants, as well as supported housing grants."
- "Yes, any change in Medicaid coverage will impact our clients accessing services."
- "Beyond SNAP, we're bracing for an increase in noninsured clients seeking services if the health market subsidies are not renewed."

3. Federal Funding Dependence

Question: What percentage of your organization's total funding comes from federal sources?

Findings:

- 0%-25%: 82 respondents
- 26%-50%: 61 respondents
- 51%-75%: 44 respondents
- 76%-100%: 28 respondents

The data shows that many respondents rely on federal funding for half or more of their total budgets, making even short delays financially risky.

4. Impacts of Medicaid Reimbursement Delays

Question: If there were delays to reimbursement for services covered under Medicaid, would that significantly impact your ability to continue serving your community?

Findings:

- Over 80% of respondents said delays to reimbursement for Medicaid-covered services would significantly impact their ability to continue serving their communities.
- Several respondents noted that they could sustain no more than 2-3 payrolls under such conditions.

Sample responses:

- "Definitely. Approximately 78%-80% of our clinical services are covered by Medicaid."
- "Yes, our organization is already struggling due to low reimbursement rates."
- "Yes. As a nonprofit surviving off of very limited margins, we need those funds to remain operational."

5. Potential Organizational Actions

Question: Should the federal government shutdown extend beyond Oct. 30, would your organizations need to consider any of the following?

Findings:

- Staff layoffs: 95 respondents
- Service reductions: 156 respondents
- Facility closures: 29 respondents
- Accumulation of significant debt: 149 respondents

These findings highlight the fragility of provider cash flow and the risk of service disruptions tied to Medicaid processing timelines.

6. Open-ended Responses

Question: Is there anything else that would be helpful to know?

Sample responses:

- "This makes our job very difficult, trying to find alternative resources for the people we serve. I don't know how my agency would weather the non-reimbursement of Medicaid services. I'm not positive they won't have to make staff cuts if this is long term."

- "The uncertainty and inability to communicate with government officials has made our roles increasingly difficult. We are struggling to navigate our grant evaluations without clear guidance from SAMHSA."
- "We are concerned about our clients not having SNAP and other benefits. That will impact their ability to maintain their mental health recovery."
- "Problems with SNAP benefits are a huge concern for our clients. Veterans will soon feel the ramifications of this shutdown."
- "We are already operating at a deficit, and we have already had to close a program for lack of funding. The shutdown is making it likely that we may have to consider closing another program for the short or perhaps long term."
- "Behavioral health provider organizations that I work with who serve communities who rely on safety net programs (e.g., Medicaid) for behavioral health are increasingly required to do more for less. This is simply unsustainable and will also have a negative impact on their ability to secure the vendors necessary who support their work and their ability to demonstrate their impact to their stakeholders to justify the continuation of these services."

Conclusion

As the survey results indicate, many providers operate with narrow financial margins, and sustained interruptions in payments or grants can quickly lead to reduced access to care for the populations they serve. While the current shutdown appears to be coming to an end, we believe the data obtained from this survey can be helpful to highlight for lawmakers as it presents a clear picture of the substantial impacts a shutdown (including any that may occur in the future) and broader policy changes affecting the field can have on mental health and substance use care providers and the people they serve.