

Federal Grant and Loan “Temporary Pause” to Have a Significant Impact on the Health Care Industry

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by Alissa Smith and Lillie C. Cox

UPDATE - January 29, 2025: The Trump Administration rescinded the OMB memorandum ordering the federal grant and loan pause on January 29, 2025.

Related People

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UPDATE - January 28, 2025: The federal grant and loan pause described in this blog post has been temporarily enjoined by a U.S. District Court until February 3, 2025 for funds that were already set to be disbursed. We will continue to monitor the status of the pause on federal assistance.

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UPDATE - January 28, 2025: Following a widespread lock out to Medicaid portals in all 50 states, the White House Press Secretary issued a statement on X that Medicaid would not be impacted by the OMB spending freeze memo and the Medicaid portal should be back online soon.

A memorandum from the Office of Management and Budget (“OMB”) on January 27, 2025 notified heads of federal agencies of a temporary pause on all disbursements of federal grants and loans, effective at 5pm Eastern on January 28, 2025. The OMB memorandum requires federal agencies to submit detailed information on programs, projects, or activities subject to the pause by February 10, 2025 so that OMB can evaluate their alignment with the Administration’s priorities for federal spending which have been revealed in part through recent Executive Orders.

There is some uncertainty as to how broadly the pause in federal funding will apply, as the OMB memo permits OMB to grant exceptions on a case-by-case basis, and notes that the pause is subject to what is “permissible under applicable law.”

The memo states that the pause does not impact direct federal assistance to individuals, and therefore should not disrupt the flow of Medicare reimbursement to health care providers, or impact Social Security payments. Many in the health care industry will be impacted, however, as the pause will impact federal funding disbursed by the Department of Health and Human Services, which is the largest grant-making agency in the U.S.



Access to Medicaid payment portals was cut off in all 50 states as of January 28, 2025, creating uncertainty about the pause's applicability to Medicaid and Medicaid beneficiaries' ability to access care. The federal funding pause will likely impact every state-federal cooperative program which receives funding through the federal government. For example, health centers providing family planning, HIV treatment/prevention and other services which are paid for through federal funding, including impacting these clinics' ability to make payroll and keep the centers open for patient care. The pause will also have an impact on federal research and loans to research institutions, as well as to universities and other private organizations.

The pause raises questions regarding the President's ability to override spending decisions made by Congress and compliance with a federal statute called the Impoundment Control Act. The first lawsuit challenging the pause, which includes health care industry plaintiffs, was filed on January 28, 2025.

For additional guidance on steps for recipients of federal grant and loan funding to take now, please see this post by our Dorsey colleagues. An important first step is to seek clarification from your grants management official regarding permissible activities under the grants during this period of time covered by the pause. Then, continue to follow up and monitor any changes to that advice as the issues continue to play out over the coming days, weeks and months.

Dorsey attorneys are actively monitoring Executive Orders and other activities of the new Administration and will continue to publish updates and analysis on the impacts of these actions in health care.