

More federal layoffs loom; hospitals decry House budget: 6 updates

President Donald Trump's administration is requiring federal agency leaders to prepare for "large-scale reductions in force," according to a Feb. 26 [memo](#) from the U.S. Office of Personnel Management and U.S. Office of Management and Budget.

The news comes after thousands of probationary employee [cuts](#) in mid-February at agencies including the CDC, FDA and National Institutes of Health.

The federal offices have directed agencies to submit plans for the first phase of Agency Reductions in Force and Reorganization for review by March 13, with a focus on agency cuts and reductions. The plans must prioritize cutting all non-mandated functions while also ensuring quality and efficient execution of legally required responsibilities.

The second phase of the ARRP must be submitted by April 14 to OMB and OPM, and will outline a vision for more productive, efficient operations. Plans must be implemented by Sept. 30.

The memo encouraged agency leaders to consolidate duplicated areas and management layers, automate routine tasks, reduce non-critical positions, merge or close regional areas where possible and minimize external consultant reliance. Office relocations or closures must also align with President Trump's return-to-office executive [order](#).

Five more federal health updates:

1. **House GOP budget bill.** Hospital leaders nationwide are urging lawmakers to reconsider a Republican-backed budget resolution that could significantly cut Medicaid funding, warning of serious consequences for patients and healthcare providers.

The House [passed](#) the budget resolution Feb. 25 in a 217-215 vote, advancing President Trump's \$4.5 trillion tax-cut plan. The legislation directs the Energy and Commerce Committee, which oversees Medicare and Medicaid, [to cut](#) \$880 billion in federal spending between fiscal years 2025 and 2034. In total, the House budget seeks \$2 trillion in cost reductions over the next decade.

Hospital groups including the American Hospital Association, America's Essential Hospitals and the Children's Hospital Association have strongly opposed the measure, arguing that Medicaid cuts could force hospitals that heavily rely on its reimbursement to reduce services, cut staff or even shut down. These consequences could significantly limit access to care for the nearly 80 million Americans covered by Medicaid and the Children's Health Insurance Program.

2. **FTC forms task force.** The Federal Trade Commission [established](#) a Labor Markets Task Force aimed at addressing unfair, deceptive and anticompetitive labor practices that affect American workers. The task force will focus on areas like noncompete clauses, deceptive job advertising, wage-fixing, no-poach agreements and job scams, according to a Feb. 26 [memo](#) from FTC Chairman Andrew Ferguson. It will comprise at least three members from each FTC bureau and a member from the Office of Policy Planning. The members will meet at least once a month to assess ongoing labor matters and will report their status to Mr. Ferguson quarterly.

"The FTC feels workers' pain," Mr. Ferguson said in the memo. "The threats to American workers from unfair and deceptive practices, as well as anticompetitive conduct, are often overlapping and mutually reinforcing."

News of the task force comes after the American Hospital Association and the Federation of American Hospitals [filed](#) a friend-of-the-court brief on Feb. 11, urging a federal appellate court to retract the FTC's noncompete [ban](#).

The hospital groups argued that such a ban would significantly disrupt the healthcare labor market, especially amid ongoing workforce shortages.

3. Healthcare price transparency. President Trump [signed](#) an executive order Feb. 25 directing HHS and the Labor and Treasury departments to enforce price transparency rules introduced during his first term. The order aims to ensure hospitals and insurers disclose actual prices, not estimates. As of November, fewer than one-fourth of hospitals had fully met requirements from the president's first term, according to a [review](#) from a patient advocacy group. CMS has fined 18 hospitals for alleged price transparency violations to date.

4. DOGE. A group of 21 federal technology employees resigned Feb. 25, citing concerns about the Department of Government Efficiency's actions to [access](#) government systems and sensitive data, including at CMS, [The New York Times](#) reported Feb. 25. The staff members were part of the U.S. Digital Service, a tech-focused division within the executive branch, which was rebranded as the United States DOGE Service by Elon Musk and President Trump.

"We will not use our skills as technologists to compromise core government systems, jeopardize Americans' sensitive data, or dismantle critical public services," the former employees wrote in a letter to White House chief of staff Susie Wiles, obtained by the *Times*. "We will not lend our expertise to carry out or legitimize DOGE's actions."

5. Health research funding freeze. A federal judge in Massachusetts has extended a temporary order blocking a proposed National Institutes of Health policy that would cap reimbursements for indirect research costs at 15%. U.S. District Judge Angel Kelley's Feb. 21 decision prevents the cuts from taking effect nationwide while she considers a longer-term injunction, according to [The New York Times](#) and [The Associated Press](#).

The NIH issued a [memo](#) on the new [proposal](#) in early February, aiming to lower reimbursements for overhead costs related to medical research projects — such as lab space, equipment and administrative expenses — from the current average of around 27% to 28%. The Trump administration argues the change would save more than \$4 billion annually, but hospitals, universities and physicians say it would [limit](#) research activity and ultimately [harm](#) patient care.

Ms. Kelley's ruling came in response to lawsuits from 22 states and national organizations representing research institutions, which argued the cuts violate congressional appropriations law and would cause "irreparable harm." The temporary block remains in place as the court weighs a more lasting decision, with legal experts expecting the case to be appealed and possibly reach the Supreme Court.

On Feb. 26, the Trump administration partially lifted a freeze on NIH activities that blocked the agency from holding meetings to review grant requests, according to [NPR](#). NIH said it will resume the first phase of grant application reviews. In total, the freeze delayed review of around 16,000 grant applications seeking about \$1.5 billion in NIH funding, a source told *NPR*.

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