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**MEMORANDUM**

TO: CPR Members

FROM: Peter Thomas, Michael Barnett, and Emma Gunter

DATE: June 16, 2025

RE: **Overview of HHS and NIH Budget Proposals**

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**Introduction**

On May 30, 2025, the Department of Health and Human Services (“HHS”) released a [briefing document](#) outlining the Trump Administration’s Fiscal Year (“FY”) 2026 budget request. Additional documents have been released in recent days that provide additional justification for the proposals in the FY 2026 budget. These documents provide the clearest picture to date of the Administration’s proposed funding priorities and structural reforms across HHS agencies.

President Trump’s budget proposes \$94.7 billion in discretionary funding for HHS in FY 2026—a 27.5% reduction from President Biden’s FY 2025 request of \$130.7 billion. Major public health agencies would face steep funding cuts and, in some cases, sweeping organizational changes if Congress fails to act. Below is a summary of the proposed agency-level changes in the President’s FY 2026 budget and highlights of the President’s budget request for the National Institutes of Health (“NIH”) from a June 10th hearing where NIH Director, Dr. Jay Bhattacharya, testified before the Senate Appropriations Labor, Health and Human Services, Education, and Related Agencies (“LHHS”) Subcommittee.

**Budget Overview**

The President’s FY 2026 budget request would significantly reduce funding for key HHS agencies:

- **Centers for Disease Control and Prevention (“CDC”):** Funding would be reduced by more than half, from over \$9 billion to just over \$4 billion.
- **Food and Drug Administration (“FDA”):** Funding would fall from \$7 billion to approximately \$6.5 billion.
- **National Institutes of Health (“NIH”):** The most dramatic proposed cut targets the

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NIH, whose budget would be reduced nearly 40%—from \$45.3 billion in FY 2025 to \$27.5 billion in FY 2026, wiping out ten years of Congressional efforts to double the NIH budget over ten years.

The proposal also calls for a major reorganization of the NIH, consolidating its 27 institutes and centers into just eight. Only three institutes—the National Cancer Institute, the National Institute of Allergy and Infectious Diseases, and the National Institute on Aging—would remain intact, although each would still experience significant funding reductions.

The budget also proposes the creation of a new agency, the Administration for Healthy America (“AHA”), which would be funded at \$14 billion in FY 2026. AHA would absorb several existing divisions, including the Substance Abuse and Mental Health Services Administration (“SAMHSA”) and selected CDC subagencies.

### **Changes Affecting Disability and Rehabilitation Research**

The proposal would move the National Institute on Disability, Independent Living, and Rehabilitation Research (“NIDILRR”)—the federal government’s primary disability research organization—from the Administration for Community Living (“ACL”) to a new agency: the Administration for Children, Families, and Communities. NIDILRR would receive \$100 million in FY 2026 funding (a \$19 million cut), and the Administration for Children, Families, and Communities would receive discretionary funding for several other disability-related programs, including:

- \$125 million for Developmental Disability Programs
- \$228 million for Independent Living Programs
- \$13 million for the Traumatic Brain Injury Program
- \$9 million for Aging and Disability Resource Centers

The budget request also includes \$22 million to restart the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (“DMEPOS”) Competitive Bidding Program. The Center for Medicare and Medicaid (“CMS”) [Congressional Justification](#) notes that prior rounds of competitive bidding reduced Medicare payments for DMEPOS by an estimated \$11 billion, and that those savings were achieved through reduced payments for 16 categories of DMEPOS items and services. The last round was confined to off-the-shelf orthotic knee and back braces. Following a temporary lapse in the program beginning January 1, 2024, CMS plans to initiate a new round of bidding, but not immediately. Before the next round can begin, CMS will need to finish migrating IT systems to the CMS cloud, completing the rulemaking process, and implementing changes to establish sustainable pricing, reduce costs, prevent fraud and abuse, and ensure access to quality care.

### **Senate Appropriations Committee Hearing Highlights**

On June 10, 2025, the Senate Appropriations Labor, Health and Human Services, Education, and Related Agencies (“LHHS”) subcommittee held a hearing with NIH Director, Dr. Jay Bhattacharya, to examine the proposed \$18 billion cut to NIH funding. Senators from both

parties raised serious concerns, warning that cuts have the potential to “gut” U.S. biomedical research.

- **Senator Tammy Baldwin (D-WI)**, Ranking Member of the subcommittee, highlighted that NIH has awarded \$3 billion less in grant funding this year compared to last year—resulting in over 3,000 fewer awards. She warned that the budget proposes 15,000 fewer research grants overall, with approximately 4,000 tied to a controversial “forward funding” policy that would reserve in escrow all funding for a multiple-year grant in the first year of the project, rather than spreading funding across multiple fiscal years. Senator Baldwin emphasized that this shift alone could result in an additional \$7 billion in lost research investments in FY 2026 alone, beyond the headline budget cut of \$18 billion.
- **Senator Patty Murray (D-WA)**, Vice Chair of the Appropriations Committee, also raised alarm, noting that thousands of NIH employees have been fired or pushed out by the Trump Administration to date. She also highlighted that 2,500 grants totaling nearly \$5 billion in ongoing research have been terminated and \$3 billion in funding has been blocked—all under the Trump Administration’s new policies.
- **Senator Susan Collins (R-ME)**, Chair of the Senate Appropriations Committee, criticized and objected to the proposed 15% cut to indirect costs, which she called “so poorly conceived it may violate federal law.”

In response, Dr. Bhattacharya downplayed concerns over the restructuring of NIH, arguing that program placement is less important than ensuring efficient research. He framed the changes at NIH as necessary, pointing to stalled life expectancy and rising chronic disease in the U.S., in order to modernize the agency and rebuild public trust post-COVID-19. However, several senators warned that steep cuts of this magnitude could drive talent out of the U.S. research ecosystem.

### **Implications for Disability and Rehabilitation Impact**

The proposed FY 2026 budget, as outlined by HHS, poses significant risks to disability and rehabilitation research services:

- The **nearly 40% reduction to NIH** threatens the stability of research focused on complex disabilities, assistive technologies, and medical rehabilitation—areas that depend heavily on consistent funding.
- The **consolidation of the 27 NIH institutes into just eight** could dilute research priorities specific to disability populations and threaten the continuity and depth of research into conditions that disproportionately affect people with disabilities.
- The **relocation of NIDILRR** from ACL to the newly created Administration for Children, Families, and Communities raises significant concerns about a diluted focus and diminished advocacy for disability-specific research and priorities.

### **Congressional Outlook**

While the President’s budget outlines policy goals, it is important to note that many of the

proposed changes—particularly the sweeping restructuring of federal health agencies like the NIH—would require congressional authorization. The executive branch can propose a budget and signal policy priorities; however, Congress holds the power of the purse and has ultimate authority over federal spending. Given the strong bipartisan pushback expressed during the Senate hearing, the Administration’s proposals are expected to face significant resistance from Congress. Still, both one political party runs the House, Senate and the White House and this makes the prospects of this budget more concrete than during many other fiscal year appropriations debates. In short, the final outcome will likely remain uncertain for many months to come.