



September 22, 2015

Honorable Kevin McCarthy  
Majority Leader  
U.S. House of Representatives  
Washington, DC 20515

*Re: Budgetary Effects of Legislation That Would Permanently Prohibit the Availability of Federal Funds to Planned Parenthood*

Dear Mr. Leader:

On September 16, 2015, CBO transmitted a cost estimate for H.R. 3134, the Defund Planned Parenthood Act of 2015, as introduced on July 21, 2015. H.R. 3134 would prohibit federal funding from being made available to Planned Parenthood Federation of America or any of its affiliates or clinics for a one-year period following enactment, unless such entities certify that the affiliates or clinics will not perform, and will not provide any funds to any other entity that performs, an abortion during such period. CBO estimates that enacting H.R. 3134 would reduce direct spending by \$235 million over the 2016-2025 period.

At the request of your staff, CBO has estimated the effect on direct spending of legislation that would *permanently* prohibit Planned Parenthood from receiving federal funds. CBO estimates that implementing such a bill would increase direct spending by \$130 million over the 2016-2025 period. The difference in the estimated costs reflects the different time periods over which use of federal funds would be prohibited.

Under both policies the effects of the legislation on federal spending are highly uncertain and would depend largely on the extent to which individuals who otherwise would obtain Medicaid-funded services from Planned Parenthood would either:

- Continue to obtain services from Planned Parenthood without Medicaid reimbursement;
- Obtain services from other health clinics and medical practitioners that receive Medicaid reimbursement; or,
- No longer obtain such services.

## Estimated Cost to the Federal Government of Permanently Prohibiting Federal Funding for Planned Parenthood

The estimated budgetary impact of permanently prohibiting federal funding for Planned Parenthood is shown in the following table. For this estimate, CBO assumed that such legislation will be enacted near the end of calendar year 2015.

	By Fiscal Year, in Millions of Dollars										2016- 2020	2016- 2025
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
<b>CHANGES IN DIRECT SPENDING</b>												
Estimated Budget Authority	-235	10	65	50	40	40	40	40	40	40	-70	130
Estimated Outlays	-235	10	65	50	40	40	40	40	40	40	-70	130

Based on information from a variety of government and private sources, CBO estimates that Planned Parenthood receives approximately \$450 million annually in federal funds. Of that amount, roughly \$390 million is provided through the Medicaid program and less than \$1 million is provided through the Children’s Health Insurance Program and the Medicare program combined. The remaining amount, approximately \$60 million, is provided through the National Family Planning Program, which operates under Title X of the Public Health Service Act (commonly referred to as Title X). Funding for that latter program is subject to appropriation.

### Direct Spending

The budgetary effects of a bill that would permanently prohibit federal funding from being made available to Planned Parenthood depend mostly on whether Planned Parenthood would continue providing services without Medicaid reimbursement and if so for how many years it would continue to do so. CBO estimates that federal funds accounted for about one-third of Planned Parenthood’s total revenues in 2013. The extent to which federal funding would be replaced by nonfederal resources under a permanent prohibition is highly uncertain. The amount replaced and the length of time such funds would be used to provide services would depend on actions taken by Planned Parenthood and by others, including state and local governments.

If none of the federal funds were replaced, CBO expects that some of the Medicaid beneficiaries who would obtain services from Planned Parenthood under current law would not obtain services at all, leading to lower Medicaid spending. Other people would

continue to receive services—from providers that are eligible for Medicaid reimbursement. For those people, CBO estimates that there would be little change in Medicaid spending.

If almost all federal funds were replaced, over the 2016-2025 period, CBO expects that most Medicaid beneficiaries currently served by Planned Parenthood would continue to obtain services from Planned Parenthood, but at no cost to Medicaid. Under that circumstance, there would be little change in the services provided by Planned Parenthood and a large reduction in Medicaid spending for those services.

CBO has no clear basis for assessing the extent to which Planned Parenthood would be able to replace Medicaid funding. Therefore, for this estimate, CBO assumed that in the first year in which federal funds would not be available to Planned Parenthood, approximately half of the federal funds Planned Parenthood would otherwise receive from Medicaid would be replaced, the center of a wide range of possible outcomes. CBO expects that any amount of funds replaced by Planned Parenthood would decline over time and eventually most beneficiaries would instead receive services from other providers that receive Medicaid reimbursement. The combination of those effects would reduce direct spending by \$235 million in 2016 and by \$520 million over the 2016-2025 period, CBO estimates. Those savings would be offset by increased spending for other Medicaid services as discussed below.

To the extent that there would be reductions in access to care under such legislation, they would affect services that help women avert pregnancies. The people most likely to experience reduced access to care would probably reside in areas without access to other health care clinics or medical practitioners who serve low-income populations. However, how many Medicaid beneficiaries served by Planned Parenthood live in such areas is uncertain. On the basis of an analysis of Essential Community Providers that offer family planning services compiled by the Health Resources and Services Administration, CBO estimates that as little as 5 percent or as much as 25 percent of the estimated 2.6 million clients served by Planned Parenthood would face reduced access to care. For this estimate CBO projects that 15 percent of those people would lose access to care in the first year following enactment of the bill, the center of the distribution of possible outcomes. CBO also expects access to care for those individuals would improve as other health care providers expanded or newly offered services, but the timing of that improvement is also uncertain. By 2020, CBO estimates that that only about 2 percent of the clients served by Planned Parenthood would continue to face reduced access to care.

The government would incur some costs for Medicaid beneficiaries currently served by Planned Parenthood who would not receive services that help women avert pregnancies if a bill that permanently prohibits federal funding from being made available to Planned

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Parenthood were enacted. Because the costs of about 45 percent of all births are paid for by the Medicaid program, CBO estimates that additional births that would result from enacting such a bill would add to federal spending for Medicaid. In addition, some of those children would themselves qualify for Medicaid and possibly for other federal programs. In the first few years in which federal funds for Planned Parenthood would be prohibited under the bill, CBO estimates the number of births in the Medicaid program would increase by several thousand per year. CBO expects that the number of additional births would decline over time as beneficiaries found other health care providers from which to receive family planning services. Nevertheless, the bill would increase the number of births in each year over the 2016-2025 period. CBO estimates, in total, the bill would increase direct spending for Medicaid by \$20 million in 2016, by \$130 million in 2017, and by \$650 million over the 2016-2025 period. Most of the increased spending for the pregnancies that occur in 2016 will take place in 2017.

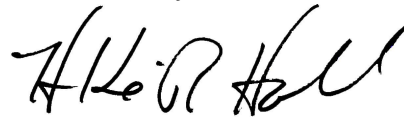
Netting those costs against the savings estimated above, CBO estimates that implementing the bill would increase direct spending by \$130 million over the 2016-2025 period.

### **Spending Subject to Appropriation**

In 2013, Planned Parenthood received approximately \$60 million under Title X. Services funded by Title X include contraceptive education and counseling; pregnancy diagnosis and counseling; cervical and breast cancer screening; and education, testing, and referral services associated with sexually transmitted diseases. CBO estimates that the bill would not affect spending subject to appropriations because any discretionary grants, such as those made under Title X, that might otherwise have gone to Planned Parenthood would be awarded to other health clinics or medical practitioners.

I hope this information is helpful to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall". The signature is stylized and cursive.

Keith Hall  
Director

cc: Honorable Nancy Pelosi  
Democratic Leader