CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 2, 2015

Reconciliation Recommendations of the House Committee on Energy and Commerce

As ordered reported by the House Committee on Energy and Commerce on September 30, 2015

SUMMARY

S. Con. Res. 11, the Concurrent Resolution on the Budget for fiscal year 2016, instructed several committees of the House of Representatives to recommend legislative changes that would reduce deficits over the 2016-2025 period. As part of this reconciliation process, the House Committee on Energy and Commerce approved legislation on September 30, 2015, with a number of provisions that would reduce deficits.

The legislation would repeal provisions that established the Prevention and Public Health Fund and rescind any unobligated balances of the fund, which provides grant assistance to entities to carry out prevention, wellness, and public health activities. The legislation also would, for a one-year period following enactment, prohibit federal funds from being made available to certain entities that provide abortions. In addition, the legislation would increase the amount of funding authorized and appropriated to the Community Health Center Fund. That fund provides grants to organizations to improve and expand access to health care services for underserved individuals.

CBO estimates that enacting the legislation would decrease direct spending by $12.4 billion over the 2016-2025 period. Enacting the legislation would not increase direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026, CBO estimates.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of the legislation is shown in the following table. The outlay effects of this legislation fall within budget function 550 (health). For this estimate, CBO assumes that the legislation will be enacted near the end of calendar year 2015.

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
CHANGES IN DIRECT SPENDING												
Prevention and Public Health Fund												
Estimated Budget Authority	-1,000	-1,000	-1,250	-1,250	-1,500	-1,500	-2,000	-2,000	-2,000	-2,000	-6,000	-15,500
Estimated Outlays	-236	-517	-911	-1,130	-1,273	-1,380	-1,582	-1,759	-1,927	-2,001	-4,067	-12,716
Medicaid												
Estimated Budget Authority	-235	-10	5	5	*	*	*	*	*	0	-235	-235
Estimated Outlays	-235	-10	5	5	*	*	*	*	*	0	-235	-235
Community Health Center Program												
Estimated Budget Authority	235	235	0	0	0	0	0	0	0	0	470	470
Estimated Outlays	88	226	144	12	0	0	0	0	0	0	470	470
Total												
Estimated Budget Authority	-1,000	-775	-1,245	-1,245	-1,500	-1,500	-2,000	-2,000	-2,000	-2,000	-5,765	-15,265
Estimated Outlays	-383	-301	-762	-1,113	-1,273	-1,380	-1,582	-1,759	-1,927	-2,001	-3,832	-12,481

Notes: Components may not add to totals because of rounding; * = between $0 and $500,000.

BASIS OF ESTIMATE

In total, CBO estimates that enacting the reconciliation recommendations of the House Committee on Energy and Commerce would reduce direct spending by $12.4 billion over the 2016-2025 period. CBO estimates that the legislation would not affect federal revenues or spending subject to appropriations.

Direct Spending

Prevention and Public Health Fund. Section 1 of the legislation would repeal the provision that established the Prevention and Public Health Fund and rescind all unobligated balances. The Department of Health and Human Services (HHS) awards grants through the fund to public and private entities to carry out prevention, wellness, and public health activities. The Affordable Care Act provided annual funding for these purposes of $1.0 billion in 2016, rising to $2.0 billion in 2022 and each year thereafter. CBO estimates that eliminating that funding would reduce direct spending by $12.7 billion over the 2016-2025 period.

Medicaid. Section 2 of the legislation would, for a one-year period following enactment, prohibit federal funds from being made available to an entity (defined to include its affiliates, subsidiaries, successors, and clinics) that, as of the date of enactment of this legislation, is:

- A nonprofit organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Code;

- An essential community provider that is primarily engaged in providing family planning and reproductive health services and related medical care;

- Provides abortions—other than an abortion if the pregnancy is the result of an act of rape or incest or in the case where a woman's life is in danger; and

- In fiscal year 2014, had expenditures under the Medicaid program that exceeded $350 million.

CBO expects that, using the above criteria, only Planned Parenthood Federation of America and its affiliates and clinics would be affected, although some other health care clinics may also be affected. Most federal funds received by such clinics come from payments for services provided to enrollees in states' Medicaid programs. The budgetary effects of this provision depend mostly on whether the clinics affected by the legislation would decide to continue providing services without Medicaid reimbursement. The extent to which federal funding would be replaced by nonfederal resources during the year in which the prohibition would be in effect is highly uncertain. The amount replaced would depend on actions taken by such clinics 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 affected clinics 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, CBO expects that most Medicaid beneficiaries currently served by affected clinics would continue to obtain services from those clinics, but at no cost to Medicaid. Under that circumstance, there would be little change in the services provided by such clinics and a large reduction in Medicaid spending for those services.

CBO has no clear basis for assessing the extent to which clinics affected by the legislation would be able to replace Medicaid funding. Therefore, for this estimate, CBO assumed that in the one-year period in which federal funds would be not be available to such clinics,

approximately half of the federal funds that such clinics would otherwise receive from Medicaid would be replaced, the center of a wide range of possible outcomes. CBO estimates the combination of the effects described above would reduce direct spending by $255 million in 2016 and by $295 million over the 2016-2025 period. Those savings would be partially offset by increased spending for other Medicaid services as discussed below.

To the extent that there would be reductions in access to care under the 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, the extent to which Medicaid beneficiaries served by affected clinics 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 individuals currently served by affected clinics would face reduced access to care. For this estimate CBO projects that 15 percent of those people would lose access to care, the center of the distribution of possible outcomes.

The government would incur some costs for Medicaid beneficiaries currently served by affected clinics 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 the legislation 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 one-year period in which federal funds for the affected clinics would be prohibited under the legislation, CBO estimates the number of births in the Medicaid program would increase by several thousand, increasing direct spending for Medicaid by $20 million in 2016 and by $60 million over the 2016-2020 period. Netting those costs against the savings estimated above, CBO estimates that implementing the provision would reduce direct spending by $235 million over the 2016-2025 period.

Community Health Center Program. Section 3 of the legislation would increase the funds available to the Community Health Center Program (CHC), which provides grant funds to health centers that offer primary and preventive care to patients regardless of their ability to pay. Under current law the program will receive $3.6 billion in each of the fiscal years 2016 and 2017. The legislation would increase funding for the program by $235 million in each of the fiscal years 2016 and 2017. CBO estimates that implementing the provision would increase direct spending by $470 million over the 2016-2025 period.

Although increased funding to CHC could increase access to primary care and preventive services, generally, CBO does not anticipate that the increased funding would have any significant effect on the reduction in access to family planning services estimated in section 2 for two reasons. First, CBO anticipates that HHS would not be able to direct funding towards the provision of such services in time to prevent the disruption in access to services

projected to occur in the first year. In addition, because the legislation would not direct HHS to provide the increased funding for specific types of services or clinics, CBO expects the increased funding would be allocated as under current law, for a wide variety of primary and preventive care services.

Spending Subject to Appropriation

CBO estimates that section 2 of the legislation would not affect spending subject to appropriation because any discretionary grants, such as those made under Title X, that might otherwise have gone to clinics prohibited from receiving federal funds under the legislation would be awarded to other health clinics or medical practitioners. CBO estimates that sections 1 and 3 of the legislation would have no significant effect on spending subject to appropriation.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The legislation contains no intergovernmental or private-sector mandates as defined in UMRA. It would reduce federal Medicaid spending for the one-year period beginning on the date of enactment for certain entities that provide abortion services. The state share of reduced Medicaid spending would total approximately $90 million over the 2016-2025 period.