June 21, 2019
The Honorable Nancy Potok, Chief Statistician
Office of Management and Budget
725 17th St. NW
Washington, DC 20006

Dear Dr. Potok:

The National Health Law Program (NHeLP) is a public interest organization working to advance access to quality health care and protect the legal rights of low-income and under-served people. NHeLP appreciates the opportunity to provide comments in response to the Office of Management and Budget's (OMB) notice regarding differences among various consumer price indexes and their influence on the estimation of the Official Poverty Measure (OPM).

The OMB notice contemplates lowering the poverty line by applying a smaller cost-of-living adjustment each year, using either the chained CPI or the Personal Consumption Expenditures Price Index (PCEPI) in place of the CPI-U. We strongly urge you to reject this change.

If OMB is to consider any changes to how the OPM is determined, it should make adjustments that would effectively *raise* the poverty line. As explained below, the poverty line currently understates what families need to get by. That means lowering it further would make poverty measurement less accurate, giving policymakers and the public less credible information about the number and characteristics of American families struggling to afford basic needs.

Moreover, the OMB notice fails to consider a range of important issues that need to be carefully studied before making any change to the poverty line. These include well-documented problems with the Official Poverty Measure that should be addressed if changing the inflation adjustment, including the rates of inflation for low-income households compared to the population as a whole and the impact changes would have on eligibility for federal health, nutrition, and other basic assistance programs. We are also concerned that this adjustment would have a direct impact on eligibility legal services programs which use the federal poverty level to determine who can receive assistance. Prior to moving forward with any changes, OMB should undertake a serious analysis of each of these issues, publish its findings, and solicit public comment.

The Official Poverty Measure is Already Too Low

The poverty line is already below what is needed to raise a family, as shown by the high rates of hardship among families with incomes just above the poverty line.

- Among non-elderly adults with income between the poverty line and twice the poverty line, over 60 percent reported one or more material hardships such as food insecurity, missed payments for utility bills or rent or mortgage, or problems paying family medical bills, according to a 2017 Urban Institute survey — not significantly different than for those in poverty.[1]
- USDA data for 2017 show that, among near-poor households with children in 2017 with income between 1 and 1.3 times the poverty line, 29 percent could not consistently afford adequate food.[2]
- Households just above the poverty line have difficulty affording health care and have high uninsurance rates.[3]

The prevalence of material hardship among families just above the poverty line suggests that the families whom the proposed change would define as no longer poor – namely, those just below the poverty line – do not have sufficient income to make ends meet.

Notice Fails to Consider Other Significant Problems with the Poverty Line

Considerable research – including a major report by the National Academy of Sciences[4] – has identified various ways in which the poverty line appears to be inadequate. For example, the

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[1] Michael Karpman, Stephen Zuckerman, and Dulce Gonzalez, "Material Hardship among Nonelderly Adults and Their Families in 2017," Urban Institute, 2018, https://www.urban.org/sites/default/files/publication/98918/material_hardship_among_nonelderly_adults_and_their_families_in_2017.pdf.

[2] Alisha Coleman-Jensen, Matthew P. Rabbitt, Christian A. Gregory, and Anita Singh, *Household Food Security in the United States in 2017*, U.S. Department of Agriculture, 2018, and CBPP calculations.

[3] Steven Brown and Breno Braga, "Financial Distress among American Families: Evidence from the Well-Being and Basic Needs Survey," Urban Institute, February 14, 2019, https://www.urban.org/research/publication/financial-distress-among-american-families-evidence-well-being-and-basic-needs-survey/view/full_report.

[4] National Research Council 1995. Measuring Poverty: A New Approach. Washington, DC: The National Academies Press.

poverty line does not fully include certain costs that many low-income families face, such as child care, out of pocket medical costs, and long-term services and supports.

In accordance with the guidance of the National Academy of Sciences panel, federal analysts worked carefully with researchers over a number of years to develop the supplemental poverty measure (SPM), which more fully incorporates the current cost of basic living expenses. Consistent with the evidence cited above, this more careful accounting results in a poverty line that is higher than the official poverty line for most types of households.

The OMB notice focuses on just one of many questions about the current poverty line – how it is updated for inflation – while ignoring the many other important issues that would need to be considered and analyzed (with opportunity for public comment) to construct a more accurate measure.

Notice Fails to Consider Evidence That Low-Income Households May Experience Higher Inflation

Significant evidence exists that the chained CPI is a less accurate measure of the inflation experienced by *low-income households*. Research indicates that in recent years, inflation has risen faster for low-income households than for households overall.[5]

First, prices have been rising faster for the types of goods and services that dominate poorer households' spending. For example, low-income households spend a larger than average share of their budgets on housing; the price of rent rose 31 percent from 2008 to 2018, much faster than the overall CPI-U (17 percent).[6] Additionally, low-income seniors experience a higher inflation rate – likely because a greater share of their spending is devoted to health care.[7]

Second, some research suggests that low-income households may face more rapidly rising prices for other reasons as well. Low-income households may have less ability to change their

[5] Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," Journal of Monetary Economics, August 2017, https://gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf; David Argent and Munseob Lee, "Cost of Living Inequality during the Great Recession," Kilts Center for Marketing at Chicago Booth, March 1, 2017, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2567357.

[6] U.S. Bureau of Labor Statistics (BLS) and CBPP calculations. The poorest fifth of households dedicate 40 percent of all expenditures to housing (including shelter, fuels, utilities, furnishings, and operations), compared with 33 percent for all households. Rent is even more concentrated among the poor. The poorest fifth dedicate 16 percent to rent, compared with 7 percent for all households, according to BLS data for 2017.

[7] David Brauer and Noah Meyerson, "How Does Growth in the Cost of Goods and Services for the Elderly Compare to That for the Overall Population," Congressional Budget Office, April 19, 2013, https://www.cbo.gov/publication/44090.

consumption patterns when relative prices change – for example, because they have few retail outlets in their neighborhood, lack access to convenient transportation, or do not have internet service at home.[8] Additionally, low-income households disproportionately rely on rental housing and the costs for rental units have been growing faster than CPI-U.[9]

The studies cited above suggest that low-income households may experience higher rates of inflation than average or high-income households. If so, indexing the poverty threshold by an inflation measure that grows less rapidly, such as the chained CPI, could make the poverty measure less accurate, not more so. At the very least, considerably more research is needed on this issue. OMB should undertake such research and solicit additional input from researchers, as well as public comment, before making any change.

OMB Should Analyze and Seek Comment on Impact of Poverty Line Changes on Program Eligibility

Because OMB does not seek comment on how changing the official poverty line would impact the Department of Health and Human Services' (HHS) poverty guidelines and program eligibility, we are not submitting comments on that issue. However, if OMB considers a change that would impact the HHS guidelines, it would be imperative to first undertake in-depth research and analysis, and solicit public comments, regarding issues such as:

- The impact on health insurance coverage and access to health care. After 10 years of updating the poverty line using the chained CPI, millions of people would lose eligibility for or receive less help from health coverage programs including Medicaid and the Children's Health Insurance Program (CHIP), Medicare Savings Programs, the Medicare Part D Low-Income Subsidy program, premium tax credits, and cost sharing

[8] See for example Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," *Journal of Monetary Economics*, 2017, https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf. David Argente and Munseob Lee, "Cost of Living Inequality during the Great Recession," Kilts Center for Marketing at University of Chicago Booth School of Business, Nielsen datasets Joint Paper Series, March 1, 2017, https://ssrn.com/abstraSchct=2567357. Benjamin Faber and Thibault Fally, "Firm Heterogeneity in Consumption Baskets: Evidence from Home and Store Scanner Data," National Bureau of Economic Research, Working Paper No. 23101, August 2017, https://www.nber.org/papers/w23101. Xavier Jaravel, "The unequal gains from product innovations: Evidence from the US retail sector," Washington Center for Equitable Growth, March 14, 2107, https://equitablegrowth.org/working-papers/unequal-gains-from-product-innovations/.

[9] Sharon Parott, "The Trump Administration Floating Changes to Poverty Measure That Would Reduce or Eliminate Assistance to Millions of Low-Income Americans," Center on Budget and Policy Priorities, May 7, 2019, https://www.cbpp.org/press/statements/trump-administration-floating-changes-to-poverty-measure-that-would-reduce-or

reductions.[10] According to the Center on Budget and Policy Priorities,[11] using chained CPI to adjust the OPM over the next ten years would result in:

- 300,000 fewer low-income children enrolled in Medicaid and CHIP.
- 250,000 fewer low-income adults enrolled in Medicaid Expansion (adults who recently gained Medicaid coverage from the Affordable Care Act's expansion) – effectively lowering the threshold line from about 138 percent to 135 percent of the current poverty line.
- Thousands of women losing Medicaid coverage for family planning services in the 22 states that base eligibility on income.
- 250,000 seniors and individuals with disabilities losing eligibility for, or receiving less help from, Medicare's Part D Low-Income Subsidy Premium. Additionally, 150,000 fewer low-income seniors and people with disabilities enrolled in Medicare Savings Program would lose help paying for Medicare premiums.
- 200,000 consumers who buy coverage through the ACA marketplaces would lose eligibility for reduced cost-sharing assistance. Additionally, 6 million consumers who buy coverage through the ACA marketplaces would experience reduced premium tax credits, with tens of thousands losing eligibility altogether.

  In 2013, the CBO estimated that millions of individuals would lose eligibility or financial assistance for health programs under two chained CPI proposals.[12] OMB should quantify these impacts and analyze how changed eligibility would affect uninsured rates, access to care, financial security, and health outcomes for lower-income people, seniors, and people with disabilities.

- The impact on nutrition programs and food insecurity. Updating the poverty line using the chained CPI would cause people to lose eligibility for the Supplemental Nutrition Assistance Program (SNAP), school meals, and the Supplemental Nutrition Program for Women, Infants, and Children (WIC). OMB should quantify these impacts and analyze how the cuts to these programs would impact food insecurity and overall financial security for those affected.
- The impact on other basic assistance programs. Updating the poverty line using the chained CPI would also lower eligibility thresholds for many other federally-administered and –funded programs, and could have ramifications for state-funded programs as well.

[10] Aviva Aron-Dine and Matt Broaddus, "Poverty Line Proposal Would Cut Medicaid, Medicare, and Premium Tax Credits, Causing Millions to Lose or See Reduced Benefits Over Time," Center on Budget and Policy Priorities, May 22, 2019, https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicaid-medicare-and-premium-tax.
[11] Id.
[12] Id.

OMB should identify the full list of these programs and analyze the impacts on beneficiaries.

Before moving forward with a change to the CPI-U, OMB must share detailed policy analysis clarifying how a new threshold impacts determination of HHS poverty guidelines and legal services eligibility. This analysis must indicate how a change to calculating the OPM would affect eligibility, benefits and access to needed services that rely on HHS poverty guidelines, and how it would affect providers that furnish services to program beneficiaries (including various federal agencies). OMB should publish its findings and give the public an opportunity to comment on whether a change should be made in light of the likely consequences for uninsured rates, reduced access to health care, and other forms of hardship. Thank you for your willingness to consider our comments. If you would like any additional information, please contact Elizabeth G. Taylor at (202) 289-7661.

Respectfully submitted,

Eli G Tay

Elizabeth G. Taylor
Executive Director