



VIA ELECTRONIC SUBMISSION

June 5, 2019

Nancy Potok
Chief, Statistical and Science Policy
Office of Information and Regulatory Affairs
Office of Management and Budget

Re: Comments to OMB-2019-0002-0001
Request for Comment on the Consumer Inflation Measures Produced by Federal
Statistical Agencies

Dear Ms. Potok:

The Center for Children and Families (CCF), part of the Health Policy Institute at the McCourt School of Public Policy at Georgetown University, is an independent, nonpartisan policy and research center that conducts research, develops strategies and offers policy solutions to improve the health of America's children and families, particularly those with low- and moderate-incomes.

Thank you for this opportunity to make the following comments on whether the Consumer Price Index for All Urban Consumers (CPI-U) should be replaced with another measure of inflation such as the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) for purposes of calculating the Census Bureau's Official Poverty Measure (OPM). We strongly recommend that as under longstanding law and practice and consistent with Congressional intent, the OPM should continue to be annually adjusted by CPI-U.

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The OPM, which is used to measure poverty for statistical purposes, is annually adjusted by CPI-U. Other measures of inflation discussed in the Request for Comment include the C-CPI-U (known as "chained CPI). But the chained CPI generally results in lower estimates of annual inflation than the CPI-U, as the Congressional Budget Office has previously explained.¹ For example, according to the CBO January economic baseline, the chained CPI is estimated to be about 0.2 percentage points lower, on average, than the CPI-U over the

¹ Rob McClelland, "Differences Between the Traditional CPI and the Chained CPI," Congressional Budget Office, April 19, 2013, <https://www.cbo.gov/publication/44088>.

next ten years.² (Another measure discussed in the Request for Comment — the Personal Consumption Expenditures Price Index (PCEPI) — would result in annual inflation estimates that are about 0.4 percentage points lower, on average, than CPI-U over the next ten years according to CBO projections.) Replacing the CPI-U with the chained CPI (or another measure like the PCEPI) would thus result in a lower OPM than would otherwise be the case, with the reductions growing larger each year, relative to current law.

Research, however, indicates that these other lower measures such as chained CPI would likely not result in more accurate measures of inflation than CPI-U, especially for purposes of calculating the OPM. For example, two studies suggest that in recent years, inflation has risen faster for low-income households than for households overall.³ That may be due to rising costs for rental housing, on which low-income households disproportionately rely, which have recently been growing faster than CPI-U, as the Center on Budget and Policy Priorities notes.⁴ Chained CPI may also underestimate inflation for low-income seniors as CBO has also noted that inflation may be higher for seniors because a greater share of their spending is devoted to health care.⁵

In fact, if OMB is to consider any changes to how the OPM is determined, it should make adjustments that would effectively raise it. For example, as a Hamilton Project/Brookings Institution study notes, it should fully account for expenses that many low-income families incur such as child care and be fully adjusted for out-of-pocket medical costs, neither of which is the case today.⁶ Researchers have also developed the Census Bureau's Supplemental Poverty Measure, based on groundbreaking work conducted by the National Academy of Sciences, which measures the cost of current basic living expenses and produces a poverty threshold that is higher than the OPM for most household types.⁷ Other

² Congressional Budget Office, "10-Year Economic Projections," January 2019, <https://www.cbo.gov/system/files/2019-01/51135-2019-01-economicprojections.xlsx>.

³ Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," *Journal of Monetary Economics*, August 2017, https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf and David Argent and Munseob Lee, "Cost of Living Inequality during the Great Recession," Kilts Center for Marketing at Chicago Booth — Nielsen Dataset Paper Series 1-032, March 1, 2017, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2567357.

⁴ Sharon Parrott, "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->

⁵ 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>.

⁶ Rebecca Blank and Mark Greenberg, "Improving the Measurement of Poverty," Hamilton Project, Brookings Institution, December 2008, https://www.brookings.edu/wp-content/uploads/2016/06/12_poverty_measurement_blank.pdf.

⁷ Parrott, *op cit* and National Research Council, *Measuring Poverty: A New Approach*, National Academies Press, 1995.

research has found that the OPM does not appropriately reflect actual costs incurred by low-income seniors such as for health care and long-term services and supports.⁸ Notably, the Request for Comment includes no analysis from the Census Bureau itself on key questions like how using another measure of inflation would affect the accuracy of the OPM or what a review of the relevant research literature finds.

In addition, no statute or regulation requires OMB to review or change the use of CPI-U for the OPM. This is a potential change that is entirely discretionary and yet the Request for Comment includes no detailed legal and policy analysis justifying such a change from the longstanding use of CPI-U. In fact, Congress has demonstrated a strong intent in favor of using CPI-U. For example, as will be discussed further below, the most recent OPM is used to determine the annual HHS poverty guidelines, after being adjusted by CPI-U (as required by 42 U.S.C. § 9902(2)), with the guidelines formally announced in the Federal Register each year.

The Request for Comment also acknowledges that the HHS poverty guidelines (which are used to measure poverty for administrative purposes) are based on the OPM and that such guidelines are used to determine eligibility and benefits for numerous federal, state and local government programs. That includes, among others, federal low-income programs such as Medicaid, the Children's Health Insurance Program (CHIP), the Affordable Care Act (ACA) marketplace subsidies, the Medicare Part D Low Income Subsidy, SNAP, WIC and school lunch, which enroll tens of millions of low-income individuals and families. As a result, it is essential that if OMB is considering any change to calculating the OPM — which, in turn, would affect determination of the HHS poverty guidelines — it must also include detailed legal and policy analysis and estimates of the likely effects such as whether such a change is permissible under federal law, how it would affect eligibility, benefits and access to needed services to all federal programs that rely on the HHS poverty guidelines which are based on the OPM, and how it would affect providers that furnish services to program beneficiaries. Such analysis and estimates should be conducted not just by OMB but by the various federal agencies administering the affected low-income programs. OMB must also certainly solicit extensive public comments through formal rulemaking. The Request for Comment, however, includes no such analysis and even explicitly states that “OMB is not currently seeking comment on the poverty guidelines or their application.”

Yet, because an OPM adjusted by the chained CPI would be lower than an OPM adjusted by CPI-U, the HHS poverty guidelines would be lower than the guidelines would be under current law, with the differences growing larger each year. For example, for Medicaid and CHIP, this means that the income eligibility limits (e.g. the maximum amount of income a family can earn for a household of that size and be eligible) would be lower than they would otherwise be in any given year. As a result, there would be an automatic harmful cut to Medicaid and CHIP income eligibility for low-income children (as well as for

⁸ Steven Wallace, D. Imelda Padilla-Frausto and Susan Smith, “Older Adults Need Twice the Federal Poverty Level to Make Ends Meet in California,” UCLA Center for Health Policy Research, September 2010, <http://healthpolicy.ucla.edu/publications/search/pages/detail.aspx?PubID=56>.

parents, pregnant women, seniors, people with disabilities and other adults) with the magnitude of the cut becoming sharper each year.

According to the Center on Budget and Policy Priorities, for example, using chained CPI to adjust the OPM would result in more than 300,000 fewer low-income children enrolled in Medicaid and CHIP by 2029, relative to current law. (Other effects would include 250,000 fewer low-income adults enrolled in the Medicaid expansion and 150,000 fewer low-income seniors and people on disabilities enrolled in the Medicare Savings Programs, under which Medicaid pays for Medicare premiums and/or cost-sharing charges.)⁹

This would cause the United States to lose even more ground on children's health coverage, after two decades of progress. American Community Survey data from last year show the first increase in the share of children without health coverage in 2017 in at least a decade.¹⁰ The number of Medicaid and CHIP children enrolled in Medicaid and CHIP declined by 828,000 between December 2017 and December 2018, according to data from the Centers for Medicare and Medicaid Services, with many likely ending up uninsured.¹¹ And based on CBO estimates, the number of non-elderly uninsured is projected to be more than 7 million higher in 2029 than in 2016.¹² But none of these significant effects on children's health coverage are discussed, analyzed or estimated in the Request for Comment at all (including not only the expected enrollment losses but also the projected share of children losing Medicaid and CHIP who would become uninsured), as would be essential for making such a major policy change to the OPM and HHS poverty guidelines. The Request for Comment merely states that resulting "changes in the poverty thresholds, including how they are updated for inflation over time, may affect eligibility for programs that use the poverty guidelines."

In conclusion, it is far from clear that using another measure of inflation for purposes of the OPM would be more accurate than CPI-U. Moreover, the OPM could be adjusted in other ways to increase accuracy that would actually result in an increase in the OPM. In addition, no statute or regulation requires OMB to review or change the use of CPI-U for the OPM. Finally, changes to the inflation adjustment to the OPM would likely adversely affect tens of

⁹ 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>.

¹⁰ Joan Alker and Olivia Pham, "Nation's Progress on Children's Health Coverage Reverses Course," Georgetown University Center for Children and Families, November 21, 2018, <https://ccf.georgetown.edu/2018/11/21/nations-progress-on-childrens-health-coverage-reverses-course/>.

¹¹ Tricia Brooks, Edwin Park and Lauren Roygardner, "Medicaid and CHIP Enrollment Decline Suggests Child Uninsured Rate May Rise Again", Georgetown University Center for Children and Families," May 30, 2019, <https://ccf.georgetown.edu/2019/05/28/medicaid-and-chip-enrollment-decline/>.

¹² Edwin Park, "New CBO Baseline Expects Number of Uninsured to Rise by 5 Million Over Next Decade," *Say Ahhh! Blog*, Georgetown University Center for Children and Families, May 3, 2019, <https://ccf.georgetown.edu/2019/05/03/new-cbo-baseline-expects-number-of-uninsured-to-rise-by-5-million-over-next-decade/>.

millions of low-income individuals and families enrolled in programs that rely on the HHS poverty guidelines (which is based on the OPM) in determining eligibility and benefits, including Medicaid and CHIP. Yet the Request for Comment includes no discussion, analysis or estimates of the likely harmful effects and even affirmatively states it is not seeking comments on those effects. We thus strongly recommend that CPI-U continue to be used to calculate the OPM as under longstanding law and practice and consistent with Congressional intent.

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Thank you again for the opportunity to respond to the Request for Comment on consumer inflation measures. Please contact me at Edwin.Park@georgetown.edu if you have any questions or if we can be of further assistance.

Respectfully submitted,

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