



A Passionate Voice for Compassionate Care

June 21, 2019

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

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

Dear Ms. Potok:

The Catholic Health Association of the United States (CHA), the national leadership organization of more than 2,200 Catholic health care systems, hospitals, long-term care facilities, sponsors, and related organizations, is pleased to submit these comments on the Office of Management and Budget's *Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies*. OMB seeks input on several consumer price indexes, in particular the strengths and weaknesses of using the Consumer Price Index for All Urban Consumers (CPI-U) or potential alternatives on the annual update of the Census Bureau's Official Poverty Measure (OPM). We are very concerned that using the Chained Consumer Price Index for All Urban Consumers (C-CPU-I) would result in an underestimate of the OPM.

The Catholic health ministry is committed to serving those in need, young and old, throughout every stage of life. Every day one in every seven patients is cared for in a Catholic hospital, including more than one million Medicaid discharges in a given year. Each day Catholic health care providers see the many faces of poverty in our hospitals, emergency departments, nursing homes and clinics. Given our extensive experience with those in need, we are deeply concerned about possible changes to the OPM that would result in the inaccurate measurement of poverty and the loss of basic support services for millions of low-income families and children struggling daily to get by.

Official Poverty Measure

The Official Poverty Measure plays a critical role in measuring poverty as well as in determining program eligibility for millions of Americans. Currently, the OPM is established by comparing pre-tax cash income against a threshold equal to three times the cost of a minimum food diet set in 1963, adjusted for family size and updated annually for inflation using the CPI-U. However, evidence suggests that the OPM is not a realistic measure of poverty. It does not take into

account that the cost of living varies by geography nor does it reflect all of the expenses, such as childcare, borne by today's families. The OPMs failure as a true measure of poverty is illustrated by studies showing that people and households with incomes above the OPM still face material hardship in meeting basic needs such as food, housing, and health care.¹ The result is that the current OPM underestimates the full cost of raising a family and presents a flawed measurement of poverty.²

Inflation Indexes

As OMB considers the strengths and weaknesses of various inflation measures, particularly for use with the OPM, we urge you to give serious consideration to the inflationary pressures faced by low-income consumers. OMB indicates it is particularly interested in using the C-CPI-U, which yields a slower rate of inflation and would therefore slow the growth of the OPM. We are concerned that using the C-CPI-U to adjust the OPM will fail to accurately reflect how low-income households experience inflation.

The CPI-U is the current index used for adjusting inflation for the OPM and takes into account the expenditures of roughly 93 percent of the population.³ There is reason to believe that the CPI-U already underestimates inflation for poorer households. It does not account for the spending patterns of people living in rural areas and understates the costs for the kinds of goods and services low-income families are most likely to use. For example, the poorest fifth of households spend twice as much on rent as the typical household and the cost of rent rose 31 percent from 2008 to 2018, compared to 17 percent for the overall CPI-U.⁴

Replacing it with the C-CPI-U would exacerbate this problem. The C-CPI-U assumes that consumers, in response to changes in prices, can substitute certain goods for lower-cost items. However, the lack of affordable food, housing, and health care in many low-income and rural communities means it is often harder for low-income families to substitute higher cost items with low-cost items. Because of this, the Bureau of Labor's own studies suggest that low-income households experience higher rates of inflation than average or high-income households do.⁵

¹ Arloc Sherman and Paul N. Van De Water, "Reducing Cost-of-Living Adjustment Would Make Poverty Line a Less accurate Measure of Basic Needs," 11 June 2019, <https://www.cbpp.org/research/poverty-and-inequality/reducing-cost-of-living-adjustment-would-make-poverty-line-a-less>

² Michael Karpman, Stephen Zuckerman, and Dulce Gonzalez, "Material Hardship among Nonelderly Adults and Their Families in 2017," Urban Institute, 2018,

³ See Bureau of Labor Statistics at <https://www.bls.gov/cpi/>.

⁴ Arloc Sherman, and Paul N. Van De Water, "Reducing Cost-of-Living Adjustment Would Make Poverty Line a Less accurate Measure of Basic Needs," 11 June 2019, <https://www.cbpp.org/research/poverty-and-inequality/reducing-cost-of-living-adjustment-would-make-poverty-line-a-less>

⁵ Thesia I. Garner, David S. Johnson, and Mary F. Kokosi, "An Experimental Consumer Price Index for the Poor," *Monthly Labor Review*, September 1996, <https://www.bls.gov/opub/mlr/1996/09/art5full.pdf>.

In addition, the C-CPI-U relies on estimates of expenditure data that is not available until several months later.⁶ This delay means C-CPI-U estimations are subject to error, which could produce harmful impacts for programs relying on the data.

The C-CPI-U's slower rate of growth, assumptions of good substitutions and delayed data would likely result in an inflation index that lowers the OPM and makes the poverty measure a less accurate reflection of the realities of poverty.

Impact on People in Poverty

The OPM is used to set the U.S. Department of Health and Human Services (HHS) poverty guidelines, which determine eligibility for Medicaid, the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), and many other federal programs. Because OMB has indicated it is not soliciting comments on how changing the OPM would affect the HHS poverty guidelines and program eligibility, we are not submitting detailed comments on that issue. However, given the role that the OPM has in setting the poverty guidelines, we believe it is important to point out that changes to the inflation measure used to determine the OPM would have a significant effect on low-income people and their eligibility for federal assistance programs.

For example, using the lower inflation growth rate of the chained CPI-U index would lead to substantial harm to health coverage for low-income families. Under this change, the Center on Budget and Policy Priorities estimates that over ten years more than:

- 300,000 children could lose Medicaid or CHIP coverage.
- 250,000 adults would lose coverage in the states that have expanded Medicaid.
- 250,000 low-income seniors and people with disabilities would lose or receive less help from Medicare Part D prescription drug subsidies
- Millions would receive lower premium tax credits for Affordable Care Act Marketplace Health Insurance, and would face reduced cost-sharing assistance and therefore higher deductibles⁷

States also use the poverty guidelines to determine eligibility for Medicaid long-term services and support (LTSS) both in nursing homes and in home and community-based settings. Using a slower growing inflation factor instead of the CPI-U to calculate the OPM would mean that, over time, fewer older adults would be eligible for such services and supports, more low-income older adults would not have access to the LTSS they need and nursing homes and other aging services providers would be able to serve fewer people through Medicaid.

⁶ McClelland, Rob, "Differences Between the Traditional CPI and the Chained CPI," 19 April 2019, <https://www.cbo.gov/publication/44088>

⁷ Aviva Aron-Dine, Matt Broaddus, Zoe Neuberger and Arloc Sherman, "Administration's Poverty Line Proposal Would Cut Health, Food Assistance for Millions Over Time," June 18, 2019, <https://www.cbpp.org/sites/default/files/atoms/files/6-18-19pov.pdf>

In addition, changing the OPM by adopting C-CPI-U would cause people to lose eligibility for SNAP, free and reduced school meals, the Supplemental Nutrition Program for Women, Infants, and Children (WIC), and Low-Income Home Energy Assistance Program (LIHEAP).

The results of such a dramatic loss of coverage and access to basic support services will lead to an increase in costs for low-income families, higher uncompensated care costs for health providers and would strain social service providers as they struggle to meet increased demand for assistance. We know that social determinants of health, such as food and health care, play a major role in improving individual and population health and decreasing health disparities. By addressing only the rate of inflation while disregarding the broader inaccuracies in the OPM and the impact changes would have on eligibility for federal health, nutrition and other basic necessities, OMB's proposal would lead to a less accurate measure of poverty, harm the health of both individuals and communities and impose greater costs on our health care system.

Before considering any change to the poverty threshold that would have an impact on the poverty guidelines, we strongly urge OMB to undertake an in-depth, qualitative analysis of the impact of those changes on low-income families and children, make those findings public and give the public an opportunity to comment.

Thank you for this opportunity to provide comments on OMB's consideration of Consumer Inflation Measures Produced by Federal Statistical Agencies. Should you have any questions about these comments or would like additional information, please do not hesitate to contact Kathy Curran, Senior Director, Public Policy, at 202-296-3993.

Sincerely,

A handwritten signature in cursive script that reads "Sr. Carol Keehan".

Sr. Carol Keehan, DC
President and CEO