FAMILIESUSA
THE VOICE FOR HEALTH CARE CONSUMERS

June 19, 2019

Nancy Potok, Chief Statistician
Office of Management and Budget (OMB)
725 17th Street, NW
Washington, DC 20503
Attention: Directive No. 14

Re: OMB-2019-0002; Attention: Directive No. 14; Consumer Inflation Measures Produced by Federal Statistical Agencies

Submitted electronically via Regulations.gov

Dear Ms. Potok,

Families USA, a leading national voice for health care consumers, is dedicated to achieving high-quality, affordable health care and improved health for all. We seek to make concrete and tangible improvements to the health and health care of the nation – improvements that make a real difference in people's lives. In all of our work, we strive to elevate the interests of children and families in public policy to ensure that their health and well-being is foremost on the minds of policymakers.

Families USA appreciates the opportunity to comment on how the various alternative consumer price indexes produced by the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA) would influence the estimation of the Official Poverty Measure (OPM). Please incorporate these comments, including citations, into the administrative record.

Replacing the Consumer Price Index for All Urban Consumers (CPI-U) with an alternative index produced by BLS or BEA[1] would produce lower inflation estimates, hence lower OPM amounts. Instead of improving OPM's accuracy, these alternative indexes would artificially reduce OPM amounts, limiting eligibility for need-based assistance and driving down the standard of living for low- and middle-income families in America.

The Department of Health and Human Services' poverty guidelines, also known as the "Federal Poverty Level" (FPL), are based on the OPM. Using an alternative and reduced inflation measure for the OPM would lower annual adjustments of the FPL, which many public assistance programs use to define eligibility.[2] This would decrease access to public assistance for millions of families in America.

---

[1] In addition to the CPI-U, BLS also produces the CPI-W, C-CPI-U, CPI-E, and CPI-U-RS. BEA produces PCEPI.
[2] According to HHS, "The poverty guidelines [FPL] are a simplified version of the federal poverty thresholds used for administrative purposes — for instance, determining financial eligibility for certain federal programs."

Comparing Measures of Inflation

Three of the proposed alternative indexes, the CPI-W, C-CPI-U, and PCEPI, have historically produced lower estimates of inflation when compared to the CPI-U. Suffering from technical flaws, these alternative indexes would reduce the assistance that many families require to meet their basic human needs.

From 2012 until today, the CPI-W has increased more slowly than the CPI-U.[3] Additionally, the CPI-W reflects spending patterns of the 28 percent of households who work at clerical or wage occupations. This group of households may not be representative of families with incomes near or below the OPM poverty threshold and who qualify for public assistance. In comparison, the CPI-U is based on the spending patterns of about 88 percent of the total U.S. population, a more diverse and representative group.[4]

Like the CPI-W, the C-CPI-U has consistently increased at a lower rate than the CPI-U since the C-CPI-U's inception in 2000.[5] In addition, because BLS regularly updates C-CPI-U with new data, BLS releases preliminary estimates that are subject to error and frequently revised.[6] If the OPM was updated based on these preliminary estimates, eligibility standards for need-based programs would require constant revision as errors are identified and new data becomes available. Administrative costs and uncertainties would abound.

The PCEPI is the only alternative index that is produced by the BEA. Unlike the other indexes produced by the BLS, the PCEPI sources its consumer spending information from businesses, rather than consumers themselves. The PCEPI relies on multiple surveys from businesses to understand the prices of what is sold to their customer base as a whole.[7] Much like the other proposed alternative indexes, the PCEPI's intention is not to represent the spending patterns of families with incomes near or below the OPM poverty threshold. And much like the CPI-W and C-CPI-U, the PCEPI has increased at a lower rate than the CPI-U. Since 1970, the CPI-U has outpaced the PCEPI, with the difference in inflation increasing exponentially each year.[8]

---

[3] Reed, Stephen B., and Kenneth J. Stewart. "Why Does BLS Provide Both the CPI-W and CPI-U?" U.S. Bureau of Labor Statistics. February 2014. https://www.bls.gov/opub/btn/volume-3/why-does-bls-provide-both-the-cpi-w-and-cpi-u.htm.

[4] Ibid.

[5] Ng, Michael, and David Wessel. "The Hutchins Center Explains: The Chained CPI." Brookings. March 04, 2019. https://www.brookings.edu/blog/up-front/2017/12/07/the-hutchins-center-explains-the-chained-cpi/.

[6] Using the Chained CPI to Index Social Security, Other Federal Programs, and the Tax Code for Inflation (2013) (testimony of Jeffrey Kling, Associate Director for Economic Analysis, Congressional Budget Office). https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/04-18-ChainedCPI-One-Column.pdf.

[7] Johnson, Noah. "A Comparison of PCE and CPI: Methodological Differences in U.S. Inflation Calculation and Their Implications." U.S. Bureau of Labor Statistics. November 2017. https://www.bls.gov/osmr/pdf/st170010.pdf.

[8] Idem., pages 3811 and 3812

Another index, the CPI-E, is based on spending patterns for households with one or more members who are age 62 or older. This is a very different population than the low-income households who benefit from public assistance programs and tend to be younger than the population as a whole.

The final proposed alternative index, the CPI-U-RS, uses the same methodology as the CPI-U, so it would have the same effect as the CPI-U for purposes of updating the OPM annually to adjust for inflation. The CPI-U-RS is distinctive only in that it makes adjustments retrospectively to previous CPI-U estimates, thereby letting researchers make accurate comparisons of historical data to current information.[9] But for purposes of setting the OPM poverty threshold prospectively, replacing the CPI-U with the CPI-U-RS would have no effect.

Impact on Eligibility for Public Assistance

As explained earlier, these alternative indexes would artificially lower future FPL determinations, which in turn would reduce the number of people who qualify for need-based assistance and, in many cases, the amount of help they receive.

The FPL determines income-based eligibility for a number of government health programs, including Medicaid and the Children's Health Insurance Program (CHIP). According to the Center on Budget and Policy Priorities (CBPP), using alternative inflation measures to adjust the FPL would, after ten years, terminate insurance for more than 300,000 children and pregnant women and for 250,000 other adults currently covered under the Affordable Care Act's Medicaid expansion.[10]

FPL also determines eligibility for Medicare Savings Programs (MSPs), which help pay premiums and cost sharing for Medicare Parts A and B. CBPP estimates that more than 150,000 low-income Medicare beneficiaries would lose eligibility for MSPs under alternative inflation measures. An additional 250,000 seniors and people with disabilities would receive less assistance or see all assistance terminated under the Medicare Low Income Subsidy Program, which helps pay premiums and cost sharing for Medicare Part D prescription drug coverage.

For middle-income families with private health insurance, eligibility for federal Premium Tax Credits (PTCs) and Cost-Sharing-Reductions (CSRs) and the amount of assistance are based on income as a percentage of the FPL. Under alternative inflation measures, 8.2 million people would immediately pay

[9] "CPI Research Series Using Current Methods (CPI-U-RS)." U.S. Bureau of Labor Statistics. May 17, 2019. https://www.bls.gov/cpi/research-series/home.htm.

[10] Aron-Dine, Aviva, 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.

more in premiums due to smaller PTCs.[11] In addition, more than 200,000 consumers would have larger deductibles and increased out-of-pocket costs due to reduced CSR eligibility, according to CBPP.

Of course, health coverage is not the only benefit that would be cut under alternative inflation indexes. Eligibility for many nutrition programs, including the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), and free and reduced-price school meals, are based on federal poverty guidelines, as are programs that help low-income families afford housing, utility bills, and other expenses. [12]

Relative to the CPI-U, any index that estimates a lower rate of inflation will lower the OPM poverty threshold and reduce the FPL, so fewer low-income families will qualify for the many programs that are essential to meeting their basic needs. Middle-income families will suffer as well, due to increased private health insurance costs, along with millions of seniors who rely on Medicare. Such a policy approach would harm precisely the "forgotten men and women of our country" to whom President Trump dedicated his Presidency in his 2017 Inaugural Address.[13]

Recommendation

As it continues to consider proposed updates to inflation measure used to adjust the OPM, it is imperative that OMB solicit public comments and conduct in-depth analyses of the impact on eligibility for public assistance programs and how that impact would increase over time. Based on the evidence currently available, the proposed alternative indexes would not improve the accuracy of the OPM and would deny necessary assistance to millions of American families. **Accordingly, OMB should not use any of the proposed alternative indexes as an inflation measure to adjust the Official Poverty Measure.**

Thank you for the opportunity to submit these comments. If you have any questions, please contact Emmett Ruff at ERuff@familiesusa.org or 202-628-3030.

Respectfully submitted,

Emmett Ruff
Policy Analyst at Families USA

---

[11] Dorn, Stan. "Trump Administration Proposal Redefines Poverty to Raise Health Care Costs for Middle-Class Families." Families USA. May 2019. https://familiesusa.org/product/trump-administration-proposal-redefines-poverty-raise-health-care-costs-middle-class.

[12] "Frequently Asked Questions Related to the Poverty Guidelines and Poverty." ASPE. https://aspe.hhs.gov/frequently-asked-questions-related-poverty-guidelines-and-poverty.

[13] "The Inaugural Address." The White House. https://www.whitehouse.gov/briefings-statements/the-inaugural-address/.