



June 18, 2019

Nancy Potok, Chief Statistician
Office of Management and Budget
New Executive Office Building, Room 10202
725 17th Street, NW
Washington, DC 20503

Subject: OMB Docket No. 2019-09106, Comments in Response to Directive No. 14 and Consumer Inflation Measures Produced by Federal Statistical Agencies

Dear Ms. Potok,

The California Association of Public Hospitals and Health Systems (CAPH) appreciates the opportunity to provide comments on the appropriate inflation rate for adjusting the U.S. Census Bureau's official measure of poverty. Altering the method of inflation used to adjust the poverty line would ultimately affect the poverty guidelines set by the U.S. Department of Health and Human Services (HHS), and would impact access to critical public benefits, including access to the Medicaid program, for hundreds of thousands of low-income Californians. As core safety net providers of health care services in California, we are committed to ensuring that all individuals have timely access to affordable, high-quality health care services. We are deeply concerned that moving forward with the types of inflation measures contemplated by the Office of Management and Budget (OMB) could have negative consequences for many of the patients we serve, and the overall health and well-being of our communities. **We strongly recommend that the Consumer Price Index for All Urban Consumers (CPI-U) continue to be used to adjust measures of poverty, consistent with longstanding law and practice. If OMB were to consider any changes to how the poverty line is determined, they should be changes that would effectively raise it, not lower it.**

California's 21 public health care systems are the core of the state's health care safety net, delivering high-quality care to more than 2.85 million patients annually, regardless of ability to pay or insurance status. Most patients seen in public health care systems are either Medicaid (known as Medi-Cal in California) beneficiaries or remain uninsured. Statewide, we provide nearly 30 and 40 percent of hospital care to the state's Medi-Cal and uninsured populations, respectively, and provide over 10 million outpatient visits each year. Public health care systems also operate half of the state's top-level trauma and burn centers, and train half of all new doctors in hospitals across the state. We serve hundreds of thousands of Californians as their chosen source for primary, specialty, and hospital care. To a large extent, our patient population has complex and multiple medical needs. Filling significant and multiple roles, public health care systems have a profound impact on the health care and health of millions of Californians.

Given their critical roles in the Medi-Cal program, public health care systems experience first-hand the importance of access to affordable insurance and other safety net benefits for low-income individuals and families. Medi-Cal provides a lifeline for 13 million residents, over a third of our state's population. Medi-Cal covers a diverse population, providing coverage to children, people with disabilities, and low-income seniors and adults. Over 1.5 million Californians also gain coverage through Covered California.

The benefits of having health insurance have been widely documented, including improved access to care, better health outcomes, and protection from financial devastation. Any change to the poverty line that would ultimately reduce the number of low-income individuals who have access to these, and other, critical benefits, could have negative consequences for the health of some of our state's most vulnerable residents and perpetuate further economic insecurity throughout our communities. It is through this lens that we respectfully offer the comments below.

Chained CPI Would Understate Inflation for Low-Income Persons

OMB is considering replacing the Consumer Price Index for All Urban Consumers (CPI-U) with another measure of inflation, such as the Chained Consumer Price Index for All Urban Consumers or "chained CPI," for the purposes of calculating the Census Bureau's Official Poverty Measure. Switching the inflation index to the chained CPI, or a similar index,^{1, 2} to adjust the poverty line would inaccurately define many low-income persons as being out of poverty when they are still struggling to pay for basic necessities. The chained CPI assumes that as the prices of goods rise, individuals substitute less expensive items, thereby reducing their overall expenses. However, there is evidence that low-income people cannot readily take advantage of such substitutions compared with the population as a whole.³ As the prices in a category of goods rise, high- and middle-income households can typically lower their costs by switching to a less expensive brand or item within the same category. However, low-income persons have fewer options if they have been using less expensive brands or items all along. Low-income households also typically have fewer options of where they can buy goods, based on the lower number of businesses in the community, limited access to transportation or the internet for online purchasing, and limited ability to buy cheaper items in bulk, all of which are factors that influence the ability to make these substitutions. Furthermore, low-income populations spend more of their budgets on items for which costs increase more quickly than even the inflation measure that is currently used and compared to higher income households,⁴ pointing to the need to use a measure that would grow at a faster, rather than slower, rate than under current law. For example, these households devote a greater share of their income towards housing, for which costs have been rising faster than the CPI-U.⁵ The combined effect of not being able to substitute goods, and having a mix of goods for which prices increase at a higher rate than normal inflation, make it inappropriate to consider the chained CPI for adjusting poverty measures; it would not accurately reflect the true costs of living as experienced by this population over time.

The Existing Poverty Line is Already Too Low

Substantial evidence suggests that the poverty line is already below what is actually needed to sustain a family. The National Academy of Sciences (NAS) found that the current poverty line is inadequate and does not reflect the trends in poverty over time, or fully reflect basic living expenses that are necessary in today's society.⁶ Based on the in-depth review conducted by NAS, researchers have developed the

¹ The Request for Comment includes recommendations for the use of the chained CPI and the Personal Consumption Expenditures Price Index, both of which are estimated to result in lower estimates of inflation over the next ten years, when compared with the CPI-U, according to the Congressional Budget Office, see footnote 2.

² Congressional Budget Office. (2019). The budget and economic outlook: 2019 to 2029; data supplement. Congressional Budget Office. Retrieved from <https://www.cbo.gov/system/files/2019-01/51135-2019-01-economicprojections.xlsx>

³ Greenstein, R. (2013). Commentary: The debate over the chained CPI. *Center on Budget and Policy Priorities*. Retrieved from <https://www.cbpp.org/commentary-the-debate-over-the-chained-cpi>

⁴ Kaplan, G., & Schulhofer-Wohl, S. (2017). Inflation at the household level. *Journal of Monetary Economics*. Retrieved from https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf

⁵ Parrott, S. (2019). Trump Administration floating changes to poverty measure that would reduce or eliminate assistance to millions of lower-income Americans. *Center on Budget and Policy Priorities*. Retrieved from <https://www.cbpp.org/press/statements/trump-administration-floating-changes-to-poverty-measure-that-would-reduce-or>

⁶ National Research Council. (1995). Measuring poverty: A new approach. *The National Academies Press*. <https://doi.org/10.17226/4759>

Supplemental Poverty Measure, which measures the costs of present-day basic living expenses and demonstrates that that poverty threshold should actually be higher for most groups than today's current measure.⁷ Therefore, if the OMB were to propose any changes to determining the poverty line, it should make adjustments that would increase, not decrease, this threshold.

Changes to the Poverty Line Could Impact Program Eligibility

As noted in OMB's Request for Comment, the poverty guidelines used by HHS to determine program eligibility and benefits for a number of public programs are derived from the Census Bureau's poverty line. These include Medicaid, the Children's Health Insurance Program (CHIP), Affordable Care Act (ACA) subsidies, Medicare Part D low-income subsidies, the Supplemental Nutrition Assistance Program (SNAP), and the Women, Infants and Children (WIC) program, among many other programs.⁸ Yet the Request for Comment explicitly states that "OMB is not currently seeking comment on the poverty guidelines or their application," and does not include any analysis of the potential impact from such a change. Because the poverty line established by the Census Bureau is the basis for determining HHS' poverty guidelines,⁹ were OMB to consider moving forward with such a change that would ultimately affect these guidelines, it would be imperative for OMB, as well as the federal agencies that administer these programs, to first undertake in-depth policy and legal analysis regarding the impacts of any proposed changes, such as the number of individuals gaining or losing assistance, a demographic profile of those individuals and families, how service providers would be affected, potential economic impacts to communities, how the impacts would change over time, and then solicit public comment through a formal rule-making process.

Negative Impacts on Patients and Communities

Moving from the current inflation index to the chained CPI (or similar measure) would reduce the poverty line, impacting eligibility for a number of programs. As already described, since HHS' poverty guidelines are derived from this poverty line, such changes could reduce the number of low-income people who are able to access critical health and nutrition programs, with fewer program beneficiaries overall each year. The potential negative consequences of such a change would be wide-ranging for many health programs. In California alone, by 2028, approximately 30,000 adults and 30,000 children who would otherwise be enrolled in Medi-Cal would lose eligibility if the chained CPI were to be adopted as the inflation method for adjusting the poverty line.¹⁰ In addition, over 1 million Californians with subsidized coverage through Covered California would receive smaller premium subsidies, and some would also receive reduced assistance with out-of-pocket health care costs, increasing their deductibles by hundreds or even thousands of dollars.¹¹ For families below 200% of the federal poverty line in California, this could more than triple their deductible.¹²

Many of these individuals are our most vulnerable populations, including pregnant women, persons with disabilities and low-income seniors, in addition to low-income adults who received coverage through the Affordable Care Act expansion. The impact on low-income seniors and persons with disabilities would be

⁷ Institute for Research on Poverty. (2019). How is poverty measured? *University of Wisconsin-Madison*. Retrieved from: <https://www.irp.wisc.edu/resources/how-is-poverty-measured/>

⁸ U.S. Department of Health and Human Services. (2012). What programs use the poverty guidelines? *U.S. Department of Health and Human Services*. Retrieved from: <https://www.hhs.gov/answers/hhs-administrative/what-programs-use-the-poverty-guidelines/index.html>

⁹ Office of the Assistant Secretary for Planning and Evaluation. (n.d.). Poverty thresholds and poverty guidelines. *U.S. Department of Health and Human Services*. Retrieved from <https://aspe.hhs.gov/frequently-asked-questions-related-poverty-guidelines-and-poverty>

¹⁰ Perry, I. (2019). Proposed Trump Administration change to federal poverty definition would cut aid to millions of Californians. *UC Berkeley Labor Center*. Retrieved from: <http://laborcenter.berkeley.edu/proposed-fpl-cpi-change/>

¹¹ Perry, I. (2019).

¹² Perry, I. (2019).

even more extensive, as Medicaid also helps pay for Medicare cost-sharing and premium support, and offers additional benefits not included in Medicare, such as long-term care. In addition, these individuals would also be at risk of losing their subsidies for Medicare Part D, which would substantially increase their out-of-pocket costs for prescription drugs.

The benefits of having health coverage have been widely documented.¹³ For example, studies show that health insurance results in greater access to primary and preventive care, higher rates of having a usual source of care and regular care for chronic conditions, greater rates of screenings, and better medication adherence.^{14, 15, 16} Recent literature also suggests that gaining coverage is linked to improved health outcomes, such as substantial improvements in depression, better blood-pressure control for certain patients, significant increases in the rate of diabetes diagnosis, and decreased mortality rates.^{17, 18, 19} Health insurance also improves financial protection and security, reducing the risk of payday loans, evictions, medical bankruptcies, bills going to collections, and virtually eliminates the risk of catastrophic out-of-pocket costs.^{20, 21, 22} Reducing the number of low-income individuals who have access to these benefits would cause real economic harm and poorer health outcomes for hundreds of thousands in need.

Several other programs that use the HHS' poverty guidelines to determine eligibility also have a direct connection to health. For example, some of the 3.7 million individuals enrolled in CalFresh, California's SNAP, could lose their eligibility. This anti-hunger program serves particularly vulnerable populations in California – over half of CalFresh's recipients are children – and helps struggling families and individuals to put food on the table, allowing for a basic level of food security.²³ Research shows that SNAP not only improves health outcomes, it also lowers health care costs.²⁴ In addition, SNAP has been linked to many long-term benefits such as educational attainment and economic self-sufficiency, and a reduction in poverty.²⁵ The impact on eligibility and potential loss of benefits for women, their infants, and young children is especially concerning. In addition to CalFresh, many would lose eligibility for the WIC nutrition program, which provides nutritious foods, nutrition education, breastfeeding support, and referrals to health care and social services for millions of low-income families. WIC is a longstanding

¹³ Sommers, B., Gawande, A., & Baicker K. (2017). Health insurance coverage and health – what the recent evidence tells us. *The New England Journal of Medicine*. 377(6):586-593. <https://doi.org/10.1056/NEJMs1706645>

¹⁴ Shartzter, A., Long, S., & Anderson, N. (2015). Access to care and affordability have improved following Affordable Care Act implementation; problems remain. *Health Affairs*. 35(1), 161-168. <https://doi.org/10.1377/hlthaff.2015.0755>

¹⁵ Sommers, B., Blendon, R., Orav, E., & Epstein, A. (2016). Changes in utilization and health among low-income adults after Medicaid expansion or expanded private insurance. *JAMA Internal Medicine*. 176(10), 1501-1509. <https://doi.org/10.1001/jamainternmed.2016.4419>

¹⁶ Sommers, B., Maylone, B., Blendon, R., Orav, E., & Epstein, A. (2017). Three-year impacts of the Affordable Care Act: improved medical care and health among low-income adults. *Health Affairs*. 36(6), 1119-1128. <https://doi.org/10.1377/hlthaff.2017.0293>

¹⁷ Murray, C., Abraham, J., Ali, M., Alvarado, M., Atkinson, C., Baddour, L., & Bolliger, I. (2013). The state of US health, 1990-2010: burden of diseases, injuries, and risk factors. *JAMA*. 310(6), 591-606. <https://doi.org/10.1001/jama.2013.13805>

¹⁸ Wherry, L., & Miller, S. (2016). Early coverage, access, utilization, and health effects of the affordable care act medicaid expansions: A quasi-experimental study. *Annals of Internal Medicine*, 164(12), 795. <https://doi.org/10.7326/M15-2234>

¹⁹ Sommers, B., Long, S., & Baicker, K. (2014). Changes in mortality after Massachusetts health care reform: a quasi-experimental study. *Annals of Internal Medicine*. 160(9), 585-593. <https://doi.org/10.7326/M13-2275>

²⁰ Sommers, B., Gawande, A., & Baicker K. (2017).

²¹ Allen, H., Swanson, A., Wang, J., & Gross, T. (2017). Early Medicaid expansion associated with reduced payday borrowing in California. *Health Affairs*. 36(10) 1769-1776. <https://doi.org/10.1377/hlthaff.2017.0369>

²² Allen, H., Eliason, E., Zwede, N., & Gross, T. (June, 2019). Health insurance and housing stability: The effect of Medicaid expansion on evictions. Podium presentation at the Annual Research Meeting of AcademyHealth, Washington, DC. Retrieved from: <https://academyhealth.confex.com/academyhealth/2019arm/meetingapp.cgi/Paper/32631>

²³ Hutchful, Esi. (2018). CalFresh reaches millions of Californians and reduces poverty. *California Budget & Policy Center*. Retrieved from <https://calbudgetcenter.org/resources/calfresh-reaches-millions-californians-reduces-poverty/>

²⁴ Carlson, S. & Keith-Jennings, B. (2018). SNAP is linked with improved nutritional outcomes and lower health care costs. *Center on Budget and Policy Priorities*. Retrieved from <https://www.cbpp.org/research/food-assistance/snap-is-linked-with-improved-nutritional-outcomes-and-lower-health-care>

²⁵ Hutchful, Esi. (2018).

program with an extensive body of research documenting its many positive effects. Numerous studies have shown that WIC is highly cost-effective and has allowed for healthier infants, more nutritious diets, and better health care for children, as well as a number of long-term benefits such as improved cognitive development and higher academic achievement.²⁶

The changes to the poverty inflation measure being considered by OMB are entirely discretionary; the Request for Comment contains no justification, legal or policy-wise, for why such a change from this long-established method would be necessary. The CPI-U has been used for decades to adjust the Census Bureau's poverty line and nothing in statute or regulation requires a departure from this longstanding measure. In actuality, Congress has demonstrated a strong intent and preference for using the CPI-U over other inflation measures.²⁷

If the changes proposed in the Request for Comment were to be adopted, hundreds of thousands of Californians could lose access to essential benefits, including health coverage and nutrition assistance, among dozens of other public programs, negatively impacting the health and well-being of our communities. Because of the significance and widespread use of the poverty line, if the OMB were to consider moving forward with any change that would ultimately affect program eligibility for so many individuals, many being our country's most vulnerable, it would be imperative for it to examine these harmful effects, provide a legal and policy analysis and justification for such a change, and solicit public comment through a formal rule-making process – none of which are included in the Request for Comment. It is for these reasons that **we strongly recommend that the long-established CPI-U continue to be used to calculate the poverty line, or for the OMB to consider adjustments that would effectively raise it.**

Thank you for the opportunity to submit comments.

Sincerely,



Erica Murray
President and CEO

²⁶ Carlson, S., & Neuberger, Z. (2017). WIC works: Addressing the nutrition and health needs of low-income families for 40 years. *Center on Budget and Policy Priorities*. Retrieved from <https://www.cbpp.org/research/food-assistance/wic-works-addressing-the-nutrition-and-health-needs-of-low-income-families>

²⁷ Congress has required the use of the CPI-U to adjust the Census Bureau's most recently published poverty line for determining the annual HHS poverty guidelines. However, even with this requirement, if the OMB changes were to go through, it would still result in a lower poverty threshold because HHS would be updating a lower baseline poverty level. 42 U.S.C. § 9902(2). Retrieved from <https://www.govinfo.gov/content/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap106-sec9902.pdf>.