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Ms. Nancy Potok
Chief Statistician
Office of Management and Budget
Fax: (202) 395-7245
Re. Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies (OMB-2019-0002)

June 21, 2019

Dear Ms. Potok,

I am writing from the Social IMPACT Research Center at Heartland Alliance in Chicago, Illinois. Heartland Alliance, one of the world's leading anti-poverty organizations, works in communities in the U.S. and abroad to serve those who are experiencing homelessness, living in poverty, or seeking safety. Heartland Alliance provides a comprehensive array of services in the areas of safety, health, housing, education, economic opportunity, and justice—and leads state and national policy efforts that target lasting change for individuals and build towards a society of equity and opportunity for all. The Social IMPACT Research Center is a program of Heartland Alliance. IMPACT conducts research that helps leaders create change. We collaborate with clients to measure and grow their social impact. Our user-friendly work enables nonprofits, foundations, and governments to advance real-world solutions to poverty.

I am writing regarding the Office of Management and Budget's request for comments on switching to a different measure of inflation for recalculating the poverty line each year. Because the OMB said it was not seeking comment on the impact of changing the HHS poverty guidelines, we are not commenting on that issue. However, were you to consider moving forward with a change to the thresholds that affects the guidelines, it would be imperative to first undertake in-depth research and analysis, and solicit public comments, regarding the potentially negative impact a change in the thresholds would have on low-income people and other marginalized populations, such as the ones Heartland Alliance serves. The contemplated change would lower the income eligibility cutoffs for key programs that help people meet their human needs, causing many individuals and families to lose benefits. This will worsen financial instability, increase food insecurity, reduce access to health care, and saddle health care providers with higher uncompensated care costs.

The Social IMPACT Research Center has studied poverty in Illinois for over two decades. Our Annual Report on Poverty in Illinois found that over 1.6 million Illinoisans, or 12.6% of the state, live in poverty. Of those, over 455,000 have incomes between 75% and 99% of the federal poverty line, putting them at risk of losing eligibility for key programs if the poverty measure were to change. Changes to the poverty definition that would reduce the number of people that meet the poverty definition would have a severe impact on Illinois, which has lagged behind the rest of the country in returning to pre-recession poverty levels—ours remains higher than it was before the recession. And Illinoisans of color are even more deeply affected by poverty: 8.8% of white, non-Latino Illinoisans experience poverty compared to 26.2% of black Illinoisans and 15% of Latino Illinoisans. The risk that changing the poverty measure would worsen racial inequity by disproportionately causing people of color to lose access to critical programs that help them make ends meet calls for careful analysis, research, and public comment about the impacts of changing the poverty measure before any decisions are made.

A change to the thresholds would diminish access to the following programs that low-income families depend on for their health and stability:

Medicaid & CHIP: With smaller annual adjustments to the federal poverty line, the income eligibility limits for Medicaid and the Children's Health Insurance Program (CHIP) (that is, the maximum amount of income a family can earn for a household of that size) will be lower than they otherwise would be in any given year, with the reductions growing larger over time. In other words, the Administration is effectively proposing to impose an automatic cut to eligibility, adversely affecting low-income children (as well as parents, pregnant women, seniors and people with disabilities), with the magnitude of the cut becoming sharper each year. It is estimated that after 10 years, more than 300,000 children would lose Medicaid or CHIP coverage if the poverty measure's inflation adjustment shrinks. More than 250,000 adults would lose coverage in the states that have implemented Medicaid expansion. Because of expanded access to health coverage through Medicaid and CHIP, the proportion of uninsured children declined from 9.7 percent in 2008 to 4.7 percent in 2016. However, the proportion of uninsured children rose to 5 percent in 2017, or about 300,000 more children without health coverage. Government policies, including the refusal of some states to expand Medicaid, have contributed to undoing some of the progress that had been made. The federal government should not make this worse by shrinking the poverty measure so fewer children and families qualify for Medicaid or CHIP. Similarly, the expansion of Medicaid in 37 states plus the District of Columbia has resulted in increased health care coverage for millions of adults with incomes below the income-eligibility cutoffs. Shrinking the inflation adjustment for the poverty measure will undo some of this progress, causing more people to be uninsured. Medicaid is the largest source of health coverage for Heartland Alliance participants and other low-income Illinoisans. Over three million Illinoisans depend on Medicaid for their health care and over 85% those served at Heartland Alliance Health obtain health care through Medicaid. Without this coverage, our participants and other Illinoisans will struggle to obtain critical health care services and their physical and behavioral health will suffer as a result.

Prescription Drug subsidies for low-income seniors and people with disabilities: Seniors and people with disabilities who receive Medicare can get help paying for prescription drugs if their incomes are low enough to qualify. If the poverty measure's annual inflation adjustment is reduced, by the 10th year it is estimated that more than 250,000 people would lose or get less help from prescription drug subsidies.

Affordable Care Act (ACA) Marketplace Health Insurance for individuals: Because eligibility for cost-sharing assistance and premium tax credits are dependent on the relationship of people's incomes to the poverty level, shrinking the inflation adjustment for the poverty line would, over time, reduce or eliminate subsidies that make insurance more affordable. It is estimated that by the 10th year, more than 150,000 ACA marketplace consumers would lose cost-sharing assistance and be required to pay higher deductibles. Tens of thousands of people would lose premium tax credits.

Supplemental Nutrition Assistance Program (SNAP; formerly called Food Stamps): Households are ineligible for SNAP if their gross income exceeds an amount that is tied to the federal poverty guidelines (between 130 percent and 200 percent, depending on the option the state adopts). For example, for a household of four people in Illinois, the current gross monthly income cannot exceed $3,452. Each year, that figure is adjusted for inflation. If the adjustment shrinks, over time fewer households will qualify for assistance. Working families with small earnings gains over time will find themselves ineligible despite high housing and child care or other work-related expenses. While the SNAP program allows households with gross income below the 130 percent of poverty cutoff to qualify for higher benefits if they have high shelter costs, if their income exceeds the gross income standard, they will be denied assistance altogether. The U.S. Department of Agriculture found that 15 million households with 40 million people faced food insecurity in 2017 – that is, they experienced difficulty in affording food. For people below 185 percent of the poverty line, more than 30 percent were food insecure. We should not be increasing the number of households that do not qualify for SNAP assistance when so many beyond even the current guidelines find it difficult to afford an adequate diet. Many Heartland Alliance participants use SNAP to meet their nutritional needs, and reducing the number of people who qualify mean that more of our participants could go hungry.

The effect of C-CPI-U on low-income households: The Office of Management and Budget has requested comments on its proposal to change the methodology for updating the federal poverty line for inflation. Instead of using the Consumer Price Index for All Urban Consumers (CPI-U), which is now used extensively, the proposal suggests switching to the “Chained CPI for all Urban Consumers” (C-CPI-U) or a similar index. The Chained CPI assumes that as prices of goods rise, individuals substitute less expensive items, thereby reducing their overall expenses. However, there is evidence that low-income people cannot as readily take advantage of such substitutions, since they are already doing without the more expensive items (and even without moderately priced items). Research suggests that costs may rise more rapidly for low-income households than for the population as a whole. For instance, low-income households pay a greater percentage of their income for housing and utilities than higher-income households, and these are goods that are harder to substitute for lower-priced goods.

Over the nine years from the third quarter of 2004 through the third quarter of 2013, average inflation accumulates to 33% for households with incomes below $20,000 but to just 25% for households with incomes above $100,000.

Because low-income households experience more inflation in the goods they purchase than households with higher incomes, and do not have as much opportunity to switch to less expensive items, the Chained CPI is not an appropriate means of calculating the poverty line. It will inaccurately define low-income working or retiree individuals or households as out of poverty when they are struggling to pay for necessities. Denying them eligibility for benefits such as health coverage, prescription drugs, heating or cooling assistance, or nutrition assistance will increase hardship and threaten health, child development, and family stability, contrary to the intent of Congress in establishing these programs.

OMB has said it is not seeking comment on the impact of changing the HHS poverty guidelines. However, if OMB is considering going forward with a change to the poverty thresholds that would affect the guidelines, it should certainly not be undertaken without in-depth research and analysis, and OMB should solicit public comments regarding impacts such as the number of individuals losing assistance and a demographic profile of those individuals and families, how service providers would be affected, and how the impacts would change over time. The onus should be on the federal government to conduct these kinds of extensive analyses before suggesting a policy change that would harm large numbers of people.

It has long been understood that the Official Poverty Measure is incomplete and outdated. It was first set during the Johnson Administration after research showed that low-income families at the time spent about one-third of their income on food. Since then, it has basically been increased for

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inflation, but without a serious revision based on current spending patterns. Today's families with children, for example, spend a high percentage of their income on housing and child care. Similarly, not all income sources are included in the Official Poverty Measure (also known as the Poverty Threshold).

If the Office of Management and Budget wants to look at a revised definition of poverty, it could do so. The Bureau of the Census has undertaken this kind of research, developing the Supplemental Poverty Measure, which does count income sources such as SNAP and refundable tax credits, as well as taking into account more accurately expenditures such as housing, child care, and out of pocket medical expenses. The Supplemental Poverty Measure shows a somewhat higher poverty level and rate for most types of households as compared to the official measure. We know that households just above the official poverty line report higher than average rates of food insecurity and difficulty paying rent and utilities. They are more likely to be uninsured. These facts suggest that shrinking the annual rate of increase in the Official Poverty Measure will artificially push people over the poverty line even though they struggle to make ends meet. Such a change would be unsupported by the evidence, and would have unfortunate impact of increasing hardships for people who work at low and volatile wages, and for retirees whose earnings were never high and who were unable to build adequate savings.

OMB should not ignore all the evidence of low-income worker and retiree spending and income patterns and simply shrink the annual inflation adjustment for the poverty measure. Far from making the annual assessment more accurate, it will make the current flaws worse. People who would be most adversely affected by this unsupported change include children, single mothers, people of color, people with disabilities, and low-income retirees. They need programs such as Medicaid, Medicare Part D prescription drug subsidies, and SNAP. Denying them benefits by making the poverty line a less accurate reflection of their circumstances is contrary to Congressional intent and the national interest.

Sincerely,

Katherine Buitrago

Katherine Buitrago
Director, Social IMPACT Research Center at Heartland Alliance