

COMMENTS to the Office of Management and Budget (OMB), OMB–2019–0002

RE: Opposition to the Proposed Methodology for Updating the Federal Poverty Line

Submitted by HEALTH EQUITY SOLUTIONS

June 21st, 2019

Health Equity Solutions respectfully submits the following comments to the Office of Management and Budget (OMB) in response to the proposed **Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies**, posted on May 7, 2019.

Health Equity Solutions (HES) is a non-profit organization in Connecticut focused on advancing health equity in the state through educational awareness and advocacy. Our mission is to promote policies, programs, and practices that result in every Connecticut resident experiencing equitable health care access, delivery, and outcomes regardless of race, ethnicity, or socioeconomic status.

Health Equity Solutions appreciates the opportunity to comment on the proposed change to the methodology for updating the federal poverty line. We are extremely concerned with the idea of updating the Census Bureau’s poverty thresholds from the current Consumer Price Index (CPI-U) to either the “chained” CPI or the Personal Consumption Expenditures Price Index.

Redefining poverty does nothing to eliminate, or lessen, poverty. For the millions of low-income people who would be affected by this far-reaching and devastating change, poverty is a real threat to their health and well-being, and this proposal would worsen their situation. Poverty limits access to health care for families and communities in Connecticut and the United States and this attempt to redefine the poverty line is a real threat to health equity.

The poverty line was designed to set the basic level of need to cover necessities for a family. As currently calculated, it is already far below the true costs of what it takes to provide/support a family. It doesn’t take into account the true cost of basic needs like housing and childcare, for which costs have been increasing faster than the overall CPI in recent years. Individuals and families are already struggling getting by on too little.

This proposal does nothing to improve the accuracy of the poverty line—it wrongly assumes that chained CPI will be a more accurate measure of poverty because it eliminates a substitution bias – this means that as prices change, peoples purchasing habits will change too. However, low-income people and families don’t substitute in the same way as those with more financial resources—they do not have that kind of flexibility. For example, two studies suggest that in recent years, inflation has risen faster for low-income households than for households overall.¹

¹ See, for example, 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

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.²

We support efforts to improve how OPM calculates the federal poverty line, but those efforts must result in a greater accuracy by raising it, not lowering it. Some possible changes could include a re-evaluation of the expenses that families experience such as child-care and out of pocket medical costs.³ In addition, OPM could look to other metrics that are viewed as better measures of current living expenses such as the Census Bureau’s Supplemental Poverty Measure; this measure is developed based on a National Academy of Sciences study and results in a higher poverty threshold for most households – which should be the goal since the current metric under-measures poverty.⁴ Finally, the Request for Comment includes no analysis from the Census Bureau itself on these key questions such as how using another measure of inflation would likely affect the accuracy of the OPM or what a review of the relevant research literature finds.

This current effort to redefine poverty is particularly devastating because its effects worsen over time. As the price of health care, education, childcare and other costs rise beyond inflation or wages and income, the effects worsen dramatically for those with lower incomes. The chained CPI and the Personal Consumption Expenditures Price Index both rise more slowly than the current measure. This would mean a lower poverty line—and a gap between today’s poverty line and the proposed poverty line. By changing the rate of inflation, this administration makes the poverty line further out of step with a family’s needs.

While the Request for Comment acknowledges that the HHS poverty guidelines are based the poverty thresholds—and that the guidelines are used to determine eligibility and benefits for numerous federal, state and local government programs—it does not include research or analysis on the impact of changing the thresholds. It is critical to understand the number of individuals who would lose Medicaid, CHIP and marketplace subsidies, as well as the number of seniors and people with disabilities who would lose or receive less help from Medicare’s Part D Low-Income Subsidy. It will also be important to understand the impact of this change on access to federal nutrition programs, including SNAP, WIC and free school meals. This analysis should be conducted in partnership with all the federal agencies administering the programs, and it must solicit public comments through formal rulemaking.

Marketing at Chicago Booth — Nielsen Dataset Paper Series 1-032, March 1, 2017, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2567357.

² 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->

³ 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.

⁴ Parrott, *op cit* and National Research Council, *Measuring Poverty: A New Approach*, National Academies Press, 1995.

Changing eligibility thresholds will impact real people who are struggling to afford their family's basic needs. Estimates suggest that after 10 years⁵:

- More than 250,000 seniors and people with disabilities would lose help paying for prescription drug costs;
- More than 300,000 children would lose their health insurance through Medicaid and CHIP Coverage;
- More than 250,000 adults would lose coverage through Medicaid expansion;
- More than 150,000 marketplace consumers would lose cost-sharing assistance and see higher deductibles for their health insurance; and
- Tens of thousands would lose premium tax credits which makes purchasing health insurance more affordable.

For example, this change would be awful to the Asset Limited Income Constrained Employed (ALICE) households in Connecticut. Annually, the United Way of Connecticut produces a report on the families in Connecticut, who despite working, earn an income that is much less than required to meet their basic needs. In 2018, this represented 40% of the households in the state. Here's a quick overview of ALICE families every day:

- Families in the state of Connecticut struggle every single day to make ends meet. According to the ALICE Report, to be able to cover the household basic necessities cost of a family of 4, the annual income would need to be double of the \$24,300, the U.S. poverty threshold.
- Research shows (ALICE Report, 2018), approximately 55% of jobs pay \$20 an hour in Connecticut. However, that number does not coincide with the cost of living in Connecticut.
- The average health care cost for a single adult living in Connecticut is \$213, where a family of four costs \$792.⁶

Elizabeth Yates from Stamford, CT provides insight into what this means for an ALICE family. As published in the Connecticut Mirror, Ms. Yates is a mom, who has to work approximately 60 hours a week just to stay above water. She "load[s] on as much overtime just to make ends meet," and she supplements her groceries with free fruit and vegetables from a local food pantry and a monthly food truck. Ms. Yates states that "right now, we're just eeking by on a prayer ... if we lost my overtime, I'd sink".⁷

⁵ Center on Budget and Policy Priorities, June 2019, "Administration's Poverty Line Proposal Would Cut Health, Food Assistance for Millions Over Time", <https://www.cbpp.org/research/poverty-and-inequality/administrations-poverty-line-proposal-would-cut-health-food>.

⁶ Connecticut United Way, "Meet ALICE", first report published 2014 most recent report is 2018, *ALICE: A STUDY OF THE MANY HARD WORKING, LOW-INCOME PEOPLE IN CONNECTICUT*, https://alice.ctunitedway.org/meet_alice/.

⁷ Makenzie Rigg, "More residents above poverty line can't cover basic costs in CT, report says", Connecticut Mirror, September 2018, <https://ctmirror.org/2018/09/02/residents-poverty-line-cant-cover-basic-costs-ct-report-says/>.

Ms. Yates and the other ALICE households in Connecticut demonstrate the failure of the current federal poverty line definition and calculation. It shows that there are millions of hard-working Connecticut residents who face challenges making ends meet every single day and there are not current resources to help them. This proposed change to the federal poverty line would only further exacerbate the problem.

We strongly believe a more accurate measure of poverty would be beneficial to the health and well-being of families in CT and America more broadly. The approach OMB is considering is fundamentally flawed. Rather than providing support to people who are working to pull themselves out of poverty, this proposal puts economic security increasingly out of reach, while doing anything to improve the technical accuracy of the poverty measure.

Thank you for this opportunity to comment,

Health Equity Solutions