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Nancy Potok, Chief Statistician
Statistical and Science Policy, Office of Information and Regulatory Affairs
Executive Office of the President, Office of Management and Budget
New Executive Office Building, 725 17th St., NW
Washington, DC 20006

Submitted electronically via: <http://www.regulations.gov>

Re: Request for Comment on the Consumer Inflation Measures Produced by Federal
Statistical Agencies

Dear Dr. Potok,

The Local Health Plans of California (LHPC) writes to the federal Office of Management and Budget (OMB) to provide comments in response to the OMB's request for comment on the consumer inflation measures used for calculating the federal poverty threshold which was published in the Federal Register on May 7, 2019. LHPC represents all 16 community-based, not-for-profit health plans that provide health coverage to over 7.5 million beneficiaries enrolled in California's Medicaid program, Medi-Cal. The local health plans provide critical health care services to low-income Californians and collectively operate a delivery system that is the largest community-based, not-for-profit, and publicly accountable in the nation.

LHPC submits the comments herein to express our concern that OMB is considering making changes to the poverty threshold inflation methodology without also addressing the methodology for calculating the official poverty measure (OPM) to which it is applied. Additionally, these changes are being considered without a detailed public analysis of the potential impacts to low-income Americans receiving assistance through programs that utilize the threshold for purposes of determining, and applying, program eligibility. OMB stated it is not seeking comments on the poverty guidelines developed by the U.S. Department of Health and Human Services (HHS). However, given that HHS uses the poverty threshold to develop its guidelines, we believe it is critical for OMB to examine the impact of changing the poverty inflation methodology on the millions of Americans that receive services through public programs.

Background. OMB released a request for comment regarding possible changes to the methodology for calculating inflation when updating the poverty threshold, or the Official Poverty Measure (OPM). The solicitation notes that since 1978 the Consumer Price Index for all Urban Consumers (CPI-U) has been the methodology used by the Census Bureau for annual adjustments to the OPM and has not been reevaluated since the introduction of newer inflation methodologies.

Changing the inflation measure applied to the OPM could have significant impacts on eligibility for public programs. Each year, HHS publishes poverty guidelines using the inflation-adjusted poverty threshold. These guidelines dictate eligibility for dozens of federal programs, including Medicaid, the Children's Health Insurance Program (CHIP), Head Start, the Supplemental Nutrition Assistance Program (SNAP), the National School Lunch Program, among many others.¹ Additionally, many state and local programs rely on the HHS poverty guidelines for eligibility. Collectively, these programs provide critical services or support to millions of low-income Americans. As such, any changes to the methodology for adjusting the OPM should consider the downstream impacts to these programs.

The OMB's narrow focus of considering changes to the inflation factor ignores broader concerns about the shortcomings of the OPM. Changing the methodology of only one component of the OPM has the potential to result in a poverty threshold that is less accurate than the current measure. The inflation factor should not be analyzed in isolation.

Substantial research has been conducted in recent decades that demonstrates that the current poverty threshold does not fully account for many of the costs borne by low-income households.² The Supplemental Poverty Measure (SPM), first published by the US Census Bureau in 2011, attempts to address the deficits of the current OPM by looking more holistically at all sources of income, taxes, and necessary expenses such as work-related costs and child care. In the 2017 SPM report, the poverty rate was 13.9 percent which is *1.6 percent higher* than the official poverty rate of 12.3 percent.³ Therefore, changing the inflation factor without considering the broader methodology for calculating the poverty threshold has the potential to result in an OPM that exacerbates existing inaccuracies.

Adopting the chained Consumer Price Index (CPI) for annual adjustments of the OPM may artificially suppress its growth. In 2013, when the federal Administration last contemplated changing the OPM inflation factor, the Congressional Budget Office estimated that the chained CPI would result in an average of 0.25 percentage points less than annual adjustments to the OPM using the CPI.⁴ This is largely due to the

¹ "What programs use the poverty guidelines?" U.S. Department of Health and Human Services. Accessed via: <https://www.hhs.gov/answers/hhs-administrative/what-programs-use-the-poverty-guidelines/index.html>

² Measuring Poverty: A New Approach. National Research Council 1995. Washington, DC: The National Academies Press. <https://doi.org/10.17226/4759>.

³ The Supplemental Poverty Measure: 2017. September 2018. Accessed via: <https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-265.pdf>.

⁴ Preliminary Estimate of the Budgetary Effects of Using the Chained CPI for Mandatory Programs and the Tax Code Starting in 2014. Congressional Budget Office. March 2013. Accessed via: https://www.cbo.gov/sites/default/files/cbofiles/attachments/Government-wide_chained_CPI_estimate-2014_effective.pdf

methodology for the chained CPI, which assumes that consumers generally change their purchasing behaviors to switch to lower cost goods when the cost of comparable goods rise at different rates.

However, concerns about the accuracy of chained CPI for low-income and elderly households has existed for many years. Low-income households are unable to make purchasing substitutions as easily as middle- or high-income households due to factors such as lack of transportation or living in areas that have a lack of access to a wide variety of options.⁵ Recent studies about inflation rates have shown that there is significant heterogeneity at the household level and that inflation is actually higher for low-income households.⁶ Additionally, experts have questioned whether chained CPI is an accurate measure of inflation for older adults, as it does not account for significant out-of-pocket health expenses often experienced by this population. We are concerned that adopting this measure will have a disproportionate negative impact on these households given that the OPM is used as the basis for determining the poverty guidelines and thus eligibility for programs that provide critical services such as health care and food to low-income households.

Using chained CPI to annually adjust the poverty threshold could result in over 500,000 Americans losing coverage through Medicaid, and over 150,000 consumers who purchase coverage through ACA marketplaces would no longer be eligible for assistance.⁷ California has made significant progress over the past five years in lowering its rate of uninsured residents. Since implementation of the ACA, the rate of uninsured Californians dropped from 17% to 7.3%.⁸ This is in large part due to the state's Medicaid expansion, which expanded coverage to nearly 4 million adults who were previously uninsured. There are currently over 13 million low-income Californians receiving health care services through California's Medicaid program, Medi-Cal, including nearly 5.5 million children.⁹ Additionally, over 1.5 million Californians purchase coverage through California's ACA marketplace, Covered California.¹⁰

The households that would be most impacted if chained CPI is applied to the OPM are those who have most recently obtained coverage. In Medi-Cal, these individuals were not previously eligible for the program their incomes marginally exceeded the HHS poverty guidelines. For households purchasing coverage through the marketplace, families who are no longer eligible for assistance will have to make the difficult decision of whether forgo coverage or pay more than they can afford to maintain it. A recent estimate by the University of California Berkeley and University of California Los Angeles Simulation of Insurance Markets found that if

⁵ The Debate Over the Chained CPI. 2013. https://www.huffpost.com/entry/the-debate-over-the-chain_b_3046011

⁶ Kaplan, G. & Schulhofer-Wohl, S. Inflation at the Household Level. August 2017. Journal of Monetary Economics. https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf

⁷ 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 2019. Accessed via: <https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicaid-medicare-and-premium-tax>

⁸ SHADAC analysis of the American Community Survey (ACS) Public Use Microdata Sample (PUMS) files, State Health Compare. SHADAC, University of Minnesota, statehealthcompare.shadac.org. Accessed via: <http://statehealthcompare.shadac.org/trend/11/health-insurance-coverage-type-by-total#0/6/10/6,7,8,15/21>

⁹ *Medi-Cal Monthly Enrollment Fast Facts*. September 2018. California Department of Health Care Services, Research and Analytic Studies Division. Accessed via: https://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast_Facts_May_2018_ADA.pdf

¹⁰ Covered California 2019 Open Enrollment Early Observations and Analysis. January 2019. Accessed via: https://hbex.coveredca.com/data-research/library/CoveredCA_2019_Open_Enrollment_Early_Analysis.pdf

chained CPI is adopted by 2021, by 2028 a total of 30,000 children and 30,000 adults would lose eligibility for Medi-Cal. Additionally, over one million Californians who receive subsidies through Covered California would see a reduction in their subsidy or their subsidies altogether.¹¹

Income and health are closely connected. Reduced access to health care as a result of changing the inflation factor applied to the OPM could exacerbate existing health disparities between low-income and middle- or high-income households. Access to health care supports an individual's ability obtain education and employment, and thus a household income that can support a healthy life. While the drivers of poverty are multiple and complex, studies have shown that health is closely linked to income. In fact, low-income adults are five times as likely to report being in poor or fair health as compared to adults with incomes above 400 percent of the federal poverty level.¹² Given that chained CPI would have result in a poverty threshold that grows at a slower rate, we are concerned that these disparities may grow as people lose health care coverage and therefore, access to care.

Low-income children and families will lose access to other critical safety-net programs such as SNAP. The United States Department of Agriculture's 2017 report on household food security indicates that 15 million U.S. households, totaling 11.8 percent of all U.S. households, are food insecure.¹³ Consistent with the national statistic, one in eight Californians struggle with food insecurity. Reliable access to affordable healthy food supports good health, particularly for school-aged children and individuals struggling with chronic disease. Changes to the OPM inflation factor that result in fewer households eligible for SNAP would mean a growing population of people facing food insecurity and a ripple effect on the health outcomes of low-income populations.

Significant additional analysis needed. Before making any changes to the OPM inflation factor, California's local health plans urge OMB to take a holistic approach to considering the impacts of such a change. This includes assessing the methodology used to arrive at the OPM, how the changes in methodology would impact the OPM, and the impacts on public programs that provide critical support to low-income Americans.

Sincerely,



Linnea Koopmans
Director of Government Affairs

¹¹ Perry, I. Proposed Trump Administration Change to Federal Poverty Definition Would Cut Aid to Millions of Californians. June 11, 2019. Accessed via: <http://laborcenter.berkeley.edu/proposed-fpl-cpi-change/>

¹²Khullar, D. & Chokshi, D. Health, Income, & Poverty: Where We Are & What Could Help. Health Affairs. October 2018. <https://www.healthaffairs.org/doi/10.1377/hpb20180817.901935/full/>

¹³ Coleman-Jensen, A., Rabbitt, M.P., Gregory, C.A., & Singh, A. Household Food Security in the United States in 2017. United States Department of Agriculture. September 2018. Accessed via: https://www.ers.usda.gov/webdocs/publications/90023/err256_summary.pdf?v=0