



Actors Fund ☞ African Services Committee ☞ Children's Defense Fund-New York
Community Service Society of New York ☞ Consumers Union ☞ Empire Justice Center
Make the Road New York ☞ Medicare Rights Center ☞ Metro New York Health Care for All Campaign
New Yorkers for Accessible Health Coverage ☞ New York Immigration Coalition ☞ Project CHARGE
Public Policy and Education Fund of New York/Citizen Action of New York
Raising Women's Voices-New York ☞ Schuyler Center for Analysis and Advocacy ☞ Young Invincibles

June 21, 2019

VIA ELECTRONIC SUBMISSION

Nancy Potok, Chief Statistician
Office of Management and Budget
725 17th St. NW
Washington, DC 20006

RE: Directive No. 14

Dear Dr. Potok:

Thank you for the opportunity to comment on inflation measures used to adjust the Official Poverty Measure (the poverty threshold). Health Care For All New York ("HCFANY") is a statewide coalition that advocates for access to quality, affordable health care. Steering Committee members are listed above and represent diverse communities across New York, including the elderly, children, people with disabilities, immigrants, and others.

The Office of Management and Budget (OMB) asks specifically for comments on the appropriateness of the chained Consumer Price Index ("chained CPI") or the Personal Consumption Expenditures Price Index ("PCEPI") over the measure currently in use, the Consumer Price Index for Urban Consumers ("CPI-U"). The chained CPI and the PCEPI are measures of inflation that grow more slowly than the CPI-U. The purpose of using either would be to correct a possible overstatement of inflation by the CPI-U.

I. The CPI-U is a better measure of inflation for low-income households than the PCEPI or the chained CPI.

HCFANY recommends that OMB continue to use the CPI-U with regards to the poverty threshold because it is a more accurate measure of inflation for low-income households. The main reason some economists believe the CPI-U overstates inflation is that it does not account for substitution as well as the other possible measures. Consumers change their purchasing habits when prices change. The CPI-U updates the reference purchases used to monitor price changes more infrequently than the chained CPI or the PCEPI, which means it does not reflect that behavior as well.



However, consumers in low-income households may be less able to change their consumption patterns in response to prices than those with higher incomes. There are many situations in which living in poverty means paying higher prices for goods than people who are wealthier. One example is public transportation – it is more cost-effective for most urban consumers to purchase multi-day transportation passes than to pay for each individual ride. But low-income riders often pay ride by ride because they cannot save up the amount of money needed for the multi-day passes. Lower-income households may also be located in areas with fewer options for substitution, for example, with fewer opportunities to buy in bulk.

If low-income consumers cannot use the strategies wealthier consumers use to smooth the effect of price increases on their budget, they will experience higher rates of inflation than consumers as a whole. It is unfair to use a measure of inflation that matches the consumption patterns of middle- and high-income people to assess the level of privation inflation causes amongst low-income people.

II. The poverty threshold is already an inadequate measure of resources needed to sustain a household in the United States. It would become even more inadequate if adjusted more slowly for inflation.

OMB does not ask for comments on the appropriateness of the current poverty threshold. However, HCFANY recommends that the working group consider this before making any technical changes to the way that the threshold is adjusted for inflation.

HCFANY believes that the poverty threshold understates the resources needed to meet basic needs in the United States. Even if the CPI-U does overstate inflation, it is not enough of an overstatement to make up for the poverty threshold’s inadequacy. Using the chained CPI or the PCEPI would make this inadequacy worse and worse over time.

Health care is an example where the poverty threshold is an especially poor representation of the resources needed to meet basic needs. In a recent survey, New Yorkers at up to five times the poverty threshold said they could not afford health care even with health insurance.¹ They took drastic steps to manage those costs including skipping medication or cutting pills in half. Americans are used to hearing that health care costs too much – but the rationing that takes place by people with private insurance should still be shocking. It certainly indicates that the poverty threshold does not reflect the income at which people in America can obtain a basic standard of living and makes it difficult to see how OMB’s working group could conclude that the poverty threshold is too high in real dollars.

The Center for Budget and Policy Priorities estimates that hundreds of thousands of people would be excluded from public health coverage if a slower measure of inflation was used

¹ Altarum Healthcare Value Hub, “New Yorkers Struggle to Afford High Healthcare Costs; Support a Range of Government Solutions Across Party Lines,” Data Brief No. 37, March 2019, <https://www.healthcarevaluehub.org/advocate-resources/publications/new-yorkers-struggle-afford-high-healthcare-costs-support-range-government-solutions-across-party-lines/>.



to determine eligibility.² Their estimate includes 250,000 seniors or people with disabilities excluded from Medicare Part D, 300,000 children excluded from Medicaid and the Children's Health Insurance Program, and 150,000 people excluded from assistance buying private insurance. They would not be excluded because they suddenly have the resources to obtain basic health care without help. They would be excluded from help because OMB allowed the real dollar value of the poverty threshold to drop over time.

III. OMB should identify the programs for which it has the statutory authority to change the measure of inflation used to calculate the poverty threshold and conduct an assessment of the costs of limiting access to safety-net programs by lowering the poverty threshold.

Finally, HCFANY asks that the working group conduct an extensive review of the programs for which eligibility is linked to the poverty threshold. In some cases, the statutes creating these programs are linked to 42 U.S. Code § 9902 (2) which specifies that the Official Poverty Measure be adjusted for inflation using the CPI-U. For those programs, OMB may not have the legal authority to change how the poverty threshold is adjusted for inflation.

No assessment of the affected programs would be complete without an assessment of the value they provide in preventing worse outcomes and allowing people in America to work and otherwise contribute to the economy. For example, when people cannot afford insulin, they require limb amputations and other more extreme interventions much more frequently than when they are able to afford the appropriate level of insulin. Those interventions are costly, likely more costly than providing insulin to people who need it through programs like Medicaid. There are many other similar examples from the health care world where a small investment in prevention means less spending down the line. OMB will be able to claim cost savings from using the chained CPI or the PCEPI to adjust the real level of eligibility for safety-net programs. However, these savings should not be considered in a vacuum without an assessment of the additional costs elsewhere in the budget.

Thank you for your attention. Please address any questions to Amanda Dunker at adunker@cssny.org or 212-614-5312.

² Center on Budget and Policy Priorities, "Poverty Line Proposal Would Cut Medicaid, Medicare, and Premium Tax Credits, Causing Millions to Lose or See Reduced Benefits Over Time," May 22, 2019, <https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicare-and-premium-tax>.