Points and facts for commenting on OMB Directive No. 14: "Consumer Inflation Measures Produced by Federal Statistical Agencies"

The following guide consists of a list of programs that use poverty guidelines for determining eligibility, and by extension programs that would be affected by any change in how inflation is calculated for the poverty measure. Next, you will find program-by-program descriptions of how this change would affect coverage and eligibility. At the end of the document, you will find points about inflation measures as well as points about better measures of poverty that can be used to determine eligibility.

We recommend you structure your comment this way:

1. Begin with information about who you are and why you are commenting: for example, if you're an expert in the field, or someone who would be affected by a change in how poverty is measured.
2. Copy and paste the sample text we have provided for the program or programs we have cited that are of greatest concern for you or your community. Feel free to elaborate based on your own experience or provide your own evidence. Find a list of these programs in the table of contents below.
3. Copy and paste sample text about the inflation measures as well as points about better measures of poverty.

If you use the Coalition on Human Needs comment portal, drop this text into the box used for writing your letter. Your comment will be submitted to the email address provided by OMB. It is critical you do not change the subject of the email we have provided. **Important note:** By using this portal, your name and email address will become part of the public record. If you would like to comment anonymously, use this link here.

Regardless of how you submit your comment, the text of all comments, including attachments and other supporting materials, will become part of the public record and subject to public disclosure. Proprietary information or sensitive personal information, such as account numbers, Social Security numbers, or names of other individuals, should not be included. Comments will not be edited to remove any identifying or contact information by the government.

If you have difficulty with submitting a comment, contact Nicolai Haddal: nhaddal@chn.org or by calling 202-223-2532 x115.

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Points/Facts about Eligibility/People Served for Some of the Affected Programs:

Programs that Use Poverty Guidelines: The HHS poverty guidelines, or percentage multiples of them (such as 125 percent, 150 percent, or 185 percent), are used as an eligibility criterion by many federal programs, including those listed below. The proposal being floated by the Office of Management and Budget would change the way the poverty guidelines are adjusted for inflation, shrinking them over time so that more people would fall above the income-eligibility cutoffs, and so lose some or all assistance from programs they would otherwise have qualified for.

- **Department of Health and Human Services:**
  - Community Services Block Grant
  - Head Start
  - Low-Income Home Energy Assistance Program (LIHEAP)
  - PARTS of Medicaid (31 percent of eligibles in Fiscal Year 2004)
  - Hill-Burton Uncompensated Services Program
  - AIDS Drug Assistance Program
  - Children's Health Insurance Program
  - Medicare – Prescription Drug Coverage (subsidized portion only)
  - Community Health Centers
  - Migrant Health Centers
  - Family Planning Services
  - Health Professions Student Loans — Loans for Disadvantaged Students
  - Health Careers Opportunity Program
  - Scholarships for Health Professions Students from Disadvantaged Backgrounds
  - Job Opportunities for Low-Income Individuals
  - Assets for Independence Demonstration Program
- **Department of Agriculture:**
  - Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamp Program)
  - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
  - National School Lunch Program (for free and reduced-price meals only)
  - School Breakfast Program (for free and reduced-price meals only)
  - Child and Adult Care Food Program (for free and reduced-price meals only)
  - Expanded Food and Nutrition Education Program
- **Department of Energy:**
  - Weatherization Assistance for Low-Income Persons
- **Department of Labor:**
  - Job Corps
  - National Farmworker Jobs Program
  - Senior Community Service Employment Program
  - Workforce Investment Act Youth Activities
- **Department of the Treasury:**

    - Low-Income Taxpayer Clinics
- **Corporation for National and Community Service:**
    - Foster Grandparent Program
    - Senior Companion Program
- **Legal Services Corporation:**
    - Legal Services for the Poor

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.

https://ccf.georgetown.edu/2019/05/09/trump-administration-proposes-to-make-many-fewer-low-income-individuals-and-families-eligible-for-medicaid-and-chip-over-time/

https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/

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 130 percent of the federal poverty guidelines. For example, for a household of four people, the current gross monthly income cannot exceed $2,720. 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.

School Meals:

Students in households with incomes at or below 130 percent of the poverty line are eligible for free school breakfasts or lunches. A student from a household with income between 130 – 185 percent of the poverty threshold is eligible for a reduced price meal. If the annual inflation adjustment for the poverty measure shrinks, fewer students will qualify for free or reduced price meals. Students whose families receive SNAP benefits automatically qualify for free school meals, but if their families' earnings bump them out of eligibility for SNAP because of the shrinking poverty measure, they will be doubly hit by having to pay for school meals. There is overwhelming evidence of the importance of adequate nutrition for children for their health, development, and learning. This proposal would make proper nutrition for children in school harder for their families to afford.

Low Income Home Energy Assistance Program (LIHEAP):

About 6 million people received LIHEAP assistance in 2018. Most states set eligibility for LIHEAP at 150 percent of the federal poverty guidelines. (Under law, states can choose to set a lower eligibility level, but not less than 110 percent of the poverty guidelines.) A 2018 survey conducted by the National Energy Assistance Directors' Association (NEADA) found that

- 46 percent of LIHEAP households had a senior in the household aged 60 or older.
- 52 percent had a disabled household member.
- 36 percent had a child 18 or younger.
- 82 percent had annual household income below $20,000.

The NEADA survey found that one-third of low-income American households who received LIHEAP help last year to pay utility bills received shut-off notices that caused many families to go without food or medicines to pay them, and 15 percent had their heat and light shut off before receiving LIHEAP assistance. The poor are hit hard by energy bills, which take about 12 percent out of a low-income paycheck, but only 2.7 percent from households with higher wages. In winter the heating bill can cost a poor family 25 percent of its income.

Over time, shrinking the inflation adjustment for the poverty measure will mean more households will exceed the 150 percent cutoff, so that they will be denied LIHEAP assistance.

Weatherization:

While states vary in the eligibility levels they set for this program to improve the energy efficiency of low-income households, the federal government sets the maximum income for eligibility at below 200 percent of the poverty guidelines. Weatherization assistance is cost-effective, in that it can reduce annual heating or cooling costs. Near poor households, either working or with retirement income, struggle to pay high housing costs, including utilities. Weatherization will help fewer near poor households over time if a shrinking inflation adjustment makes some of them ineligible. If fewer households are able to save on energy costs through weatherization, more of them may be forced to make unhealthful trade-offs, cutting back or medicine or food in order to pay heating bills. Such choices would threaten the health of vulnerable children, seniors, and people with disabilities.

WIOA Youth Training:

Under the Workforce Innovation and Opportunity Act (WIOA), in-school youth of 14-21 years or out-of-school youth (16-24) can qualify for job training if they are defined as low-income. One of the ways they can meet that definition is if they live in a high poverty area (one that has a poverty rate of at least 25 percent). If the inflation adjustment for poverty shrinks, fewer areas will qualify as high poverty, and so youth in those areas will not automatically qualify for training. The shrinking poverty measure will also over time disqualify young people whose families are bumped over the eligibility line. If fewer youth are able to get training, they will be less likely to secure stable jobs with above-poverty wages.

Head Start:

Children from birth to age five who are from families with incomes below the poverty guidelines are eligible for Head Start and Early Head Start services. 82 percent of children in Head Start, and 81 percent of children in Early Head Start, live in families below the poverty line. About 1 million children were served in 2018. About 31 percent of eligible children aged 3-5 have access to Head Start; only 7 percent of children under age 3 have access to Early Head Start. We should be expanding access to Head Start and Early Head Start. Shrinking the annual inflation adjustment will make some families ineligible to enroll their children in the programs. What is needed is more funding so that a greater proportion of eligible children can receive Head Start and Early Head Start services, without denying eligibility to struggling working families whose earnings would be just enough to exceed shrinking poverty guidelines, but who do not have enough money to afford preschool for their children.

Points about Inflation Measures

Explanation of Chained CPI, how it differs from CPI-U: 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. They pay a greater percentage of their income for housing and utilities, for instance.

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.

Points about Better Measures of Poverty

OMB has said it is not seeking comment on the impact of changing the HHS poverty guidelines. However, if OMB goes 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 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 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, SNAP, and LIHEAP. Denying them benefits by making the poverty line a less accurate reflection of their circumstances is contrary to Congressional intent and the national interest.