June 19, 2019

Chief Statistician Nancy Potok
Statistical and Science Policy
Office of Information and Regulatory Affairs
Office of Management and Budget
Executive Office of the President

RE: Directive No. 14, "Consumer Inflation Measures Produced by Federal Statistical Agencies"

Submitted via www.regulations.gov

Dear Dr. Potok,

The Community Health Care Association of New York State (CHCANYS) is grateful for the opportunity to comment on the Office of Management and Budget (OMB)'s consideration of various consumer price indices, and how they might influence the estimation of the Official Poverty Measure (OPM) and other income measures produced by the Census Bureau.

New York's 70 federally-qualified health centers (FQHCs), also known as community health centers, provide care at 800 sites that serve 2.3 million patients annually. FQHCs are non-profit, community run centers located in medically underserved areas that provide high-quality, cost effective primary care to anyone seeking it, regardless of their insurance status or ability to pay. For those patients who experience difficulties paying for services, all FQHCs are mandated to provide a sliding fee scale to individuals with incomes below 200% of the federal poverty level (FPL). Each FQHC is governed by a consumer-majority board of directors who seek to identify and prioritize the services most needed by their communities.

Federal poverty measures are of central importance to our member health centers. Approximately 70% of our patients have incomes below the current FPL, and an additional 19% of patients have incomes between 101% and 200% FPL. 59% of our patients receive Medicaid or CHIP, and many others receive subsidies for qualified health plans through New York State of Health – all programs for which eligibility is determined by how the applicant's income compares to FPL. In addition, for patients who are uninsured or face high out-of-pocket costs, our organization significantly discounts or even waives all charges. The amount of discount a patient receives is based on how their household income compares to the FPL. Thus, any changes to how poverty is measured will directly impact how our patients access care and how our member health centers are reimbursed for the care they provide.

Below, we have outlined our comments on OMB's proposed changes to consumer inflation measures. We also support comments submitted by our national organization, the National Association for Community Health Centers (NACHC).

OMB should examine the "base" OPM before examining the inflation adjustor applied to it.

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CHCANYS supports regular review of key statistical measures to ensure that they incorporate the most appropriate data and research to approximate the condition that they are intended to measure (e.g., poverty and inflation). However, we think it is premature for OMB to examine the inflation measure applied to the OPM before examining the "base" OPM – the initial estimate of the minimum level of financial resources needed to meet basic needs – to which the inflation adjustor is applied. As you are aware, the base OPM was established in 1965 -- 13 years prior to the use of the current inflation adjustor (CPI-U). In the 54 years since then, the base OPM has never been examined or recalculated in the manner that OMB is now proposing for the inflation update. As the appropriateness of the poverty thresholds depend much more significantly on the base OPM than the inflation adjustor, we recommend that any review of poverty-related measures start by examining the base OPM.

There is broad professional consensus that the base OPM should be reexamined. Since the Federal government first adopted it in 1965, policy analysts, academics, and statisticians – including Mollie Orshansky, the woman who developed the initial OPM – have widely agreed that it understates the minimum level of financial resources needed to meet the basic needs of a family unit. This gap between the OPM and the amount required to meet basic needs has grown over time, as financial demands on families have evolved while the base OPM has remained untouched. For example:

- The initial OPM was calculated when significantly fewer women participated in the workforce, and as a result did not reflect costs of paid childcare.
- The mix of goods and services included in the base OPM does not mirror current spending patterns and creates a bias that understates actual inflation in the cost of basic needs. For example, the OPM significantly understates the percentage of a family's income that is spent on housing, while overstating the percentage needed for food. Given that housing costs are rising much faster than general inflation while food costs generally rise more slowly, this imbalance further expands the gap between the OPM and the actual costs of meeting basic needs.
- The OPM is the same across the continental United States, despite significant differences in the cost of living across states and between urban and rural areas. In addition, it fails to account for differences in health care coverage across states -- such as whether a state expanded Medicaid – which can have a major impact on the cost of living.

Current research suggests that an average family needs an income of about twice the federal poverty level to afford basic expenses.

These shortcomings highlight the importance of examining the underlying measure before examining inflation updates to that measure. For example, Congress modelled this approach in its recent changes to the tax code. While the 2017 tax reform law instructed the IRS to begin updating Federal tax brackets using the Chained CPI, Congress made this change only after it thoroughly examined and updated the tax brackets themselves.

Applying a lower inflation adjustor would widen the gap between poverty thresholds and the minimum level of financial resources needed to meet basic needs.

As discussed above, researchers broadly agree that the current OPM significantly understates the minimum level of financial resources needed to meet basic needs. Switching the annual inflation update from CPI-U to a measure that generally produces smaller updates would widen this gap, allowing the

annual thresholds to fall even further behind over time. These concerns reinforce our view that OMB should first examine the underlying OPM before considering any changes to the inflation adjustor.

Decreasing the number of individuals who are eligible for Medicaid, CHIP, and Marketplace subsidies will increase financial demands on safety net providers, including FQHCs, and increase out-of-pocket costs for their patients.

Any changes that result in fewer people being eligible for Medicaid, CHIP, and Marketplace subsidies will increase the number of individuals who are uninsured and underinsured. Health centers are required to ensure that everyone can access high-quality care regardless of their ability to pay. However, this will increase financial stress on health centers and other safety net providers who care for underserved patients, as they will no longer receive insurance reimbursement for these services.

Any change that could impact the poverty guidelines would require extensive analysis, as well as public notice and comment.

If OMB were to consider moving forward with a change to the thresholds that affects the guidelines, it should first undertake in-depth analysis and solicit public comments regarding the potentially negative impact a change in the thresholds would have on low income and other vulnerable populations.

Thank you for the opportunity to submit these comments. If you have any questions, please contact Marie Mongeon, Policy Analyst with CHCANYS: mmongeon@chcanys.org.