



June 21, 2019

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

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

Dear Dr. Potok:

Thank you for the opportunity to comment on the Office of Management and Budget's (OMB) notice regarding differences among various consumer price indexes and their influence on the estimation of the Official Poverty Measure (OPM).

Medicare Rights is a national, nonprofit organization that works to ensure access to affordable health care for older adults and people with disabilities through counseling and advocacy, educational programs, and public policy initiatives. Medicare Rights provides services and resources to three million people with Medicare, family caregivers, and professionals each year.

Based on our experience assisting people with Medicare and their families, we know that health care and prescription drug affordability is an ongoing challenge. Every day on our National Consumer Helpline, we hear from older adults and people with disabilities who are struggling to cover these costs.

Fortunately, there is help available. We are often able to connect qualifying low-income individuals with programs that can make their coverage more affordable, including the Medicare Part D Extra Help/Low-Income Subsidy (LIS/Extra Help), which helps beneficiaries afford their Part D premiums and prescription drugs,¹ and the Medicare Savings Programs (MSPs), which help beneficiaries pay their Medicare Part B premiums and other cost-

¹ Medicare Rights Center, Medicare Interactive. "Extra Help Basics" available at: <https://www.medicareinteractive.org/get-answers/cost-saving-programs-for-people-with-medicare/the-extra-help-low-income-subsidy-lis-program/extra-help-basics>.

sharing.² In so doing, we see first-hand how these programs, along with Medicaid, can help relieve some of the crushing burden of high and rising health care costs.

For example, we recently helped Ms. W, who is legally blind and receives around \$1,000 a month from Social Security, obtain needed assistance. When Ms. W first became eligible for Medicare, she reached out to a Medicare Rights enrollment counselor because she was confused about her coverage and having difficulty affording it. Working with the counselor, she applied for an MSP and the Extra Help drug subsidy and was enrolled in the benefits—which now save her more than \$6,500 each year on health care costs.

While Ms. W was able to access affordable coverage relatively seamlessly, not all low-income beneficiaries, including Mr. R, share her experience.

Mr. R, another recent Medicare Rights' client, could not afford Medicare Part B or Part D premiums—leaving him without coverage for outpatient care or prescription drugs. Facing a health crisis, he sought treatment at the ER, which he assumed his Part A would cover. Unfortunately for Mr. R, Medicare Part B, not Part A, pays for outpatient emergency room care. Though he has since applied for Medicare's low-income assistance programs, he's still on the hook for the full cost of his ER visit and remains uninsured while his applications are being processed.

Ms. W and Mr. R are not alone in facing difficulty navigating and affording coverage. Health care and prescription drug affordability consistently present as top trends on Medicare Rights' National Consumer Helpline.³ In 2016, questions about Medicare affordability accounted for 20% of all calls received. These inquiries included questions about how to afford Part B premium costs (53%), Part D drug costs (43%), and other types of assistance (4%).⁴ Since many people with Medicare live on limited incomes that cannot keep pace with high and rising drug prices, the perennial nature of these calls is alarming, but not surprising.

And this tension can be especially burdensome to low-income individuals. For example, we also routinely speak to beneficiaries who are anxiously awaiting news of annual cost-of-living adjustments to their Social Security Retirement benefits—only to see these much-needed, modest increases entirely swallowed by also-rising Part B premiums, leaving them no closer to better affording their living and health care expenses.

Given this work, we are acutely aware that any changes to current law or guidance putting health care and other basic needs farther out of reach—including by curtailing eligibility for federal assistance programs—could be devastating for people with Medicare who are living on low or fixed incomes, and for whom such help is often a lifeline.

² Medicare Rights Center, Medicare Interactive. "Medicare Savings Program Basics" available at: <https://www.medicareinteractive.org/get-answers/cost-saving-programs-for-people-with-medicare/medicare-savings-programs-qmb-slmb-gj/medicare-savings-program-basics>.

³ Medicare Rights Center. "Medicare Trends and Recommendations: An Analysis of 2017 Call Data from the Medicare Rights Center's National Helpline" (April 2019) available at: <https://www.medicarerights.org/pdf/2017-helpline-trends-report.pdf>.

⁴ *Id.*

Importantly, eligibility for many of these critical assistance programs is based on the Department of Health and Human Services (HHS) annual poverty guidelines—which in turn are based on the Census Bureau’s poverty thresholds that OMB is proposing to update. Because OMB’s outlined changes would result in lower poverty thresholds, the income-eligibility cutoff for programs that use the HHS guidelines would also be reduced—eliminating assistance to individuals and families in need. These impacts run counter to key HHS strategic goals, including the agency’s efforts to “strengthen the economic and social well-being of Americans across the lifespan” as well as to “protect the health of Americans where they live, learn, work, and play.”⁵

We understand that OMB is expressly not seeking comment on the impact its proposed update would have on the HHS poverty guidelines. While we disagree with this approach, we will refrain from directly commenting on this issue. However, we do observe that tying the poverty thresholds to a lower measure of inflation, as proposed, could significantly harm the health and well-being of current and future Medicare beneficiaries.

Accordingly, were OMB to consider moving forward, it would be imperative that the agency first undertake in-depth research and analysis and solicit public comments regarding the impact its proposal would have on low- and middle-income Americans. This should include examining effects on access to programs that use the HHS poverty guidelines to determine eligibility; the implications for populations in need of the services and supports provided by these programs; the impact on the organizations that provide these services; whether the resulting changes would accurately identify the low and middle-income populations targeted for, and in need of, these programs; and related questions.

We specifically note that changing the poverty threshold would directly affect the following programs important to people with Medicare and their families, and urge further analysis into these impacts:

Medicare Low-Income Assistance Programs

Although Medicare eligibility is generally not based on income, lower-income enrollees may qualify for help paying for their premiums, deductibles, and cost-sharing through certain programs that determine eligibility using the poverty threshold, including LIS/Extra Help and MSPs.

As with Ms. W and Mr. R, many of our clients rely on these essential assistance programs, as affordability challenges are widespread. Currently, half of all Medicare beneficiaries—nearly 30 million older adults and people with disabilities—live on \$26,200 or less per year, while one

⁵ U.S. Department of Health and Human Services. “2018 Annual Report” (2018) available at: <https://www.hhs.gov/about/leadership/secretary/2018-annual-report/index.html>.

quarter have incomes below \$15,250 and less than \$14,550 in savings.⁶ At the same time, health care costs are taking up a larger and more disproportionate share of beneficiaries' limited budgets. In 2016, nearly 30% of Medicare households spent 20% or more of their income on health care, while only 6% of non-Medicare households did so.⁷ Out-of-pocket costs for prescription drugs represent a significant share of this amount, accounting for nearly one out of every five beneficiary health care dollars.⁸

The consequences of health care and prescription drug unaffordability are significant, both for the Medicare program and those who rely on it. Beneficiaries who cannot purchase their medications or pay for coverage may be forced to go without care—leading to worse health outcomes and quality of life, hospitalizations, or even death. And the cost to the Medicare program is also extreme, as beneficiaries like Mr. R who forgo needed care and experience declining health as a result may need more costly interventions later, like emergency department or inpatient care.⁹

Troublingly, if the poverty measure's annual inflation adjustment were to be reduced as proposed, it would undermine the ability of many beneficiaries to access and afford their Medicare coverage. More than 250,000 people with Medicare would lose their eligibility for or get less help from LIS/Extra Help over the next ten years, and their prescription drug costs would increase substantially as a result. At the same time, over 150,000 low-income seniors and people with disabilities would lose access to federal assistance programs that help them afford their Part B premiums. These individuals would have to pay over \$1,000 more per year just to maintain needed physician coverage.¹⁰

Most people with Medicare—in particular those who live on fixed or limited incomes—cannot afford to pay more for care. Losing LIS/Extra Help or MSP eligibility or receiving less assistance from these programs would likely put Medicare coverage out of reach for many. Unable to afford their monthly premiums, some would have no choice but to forego needed care and risk exposure to significant out-of-pocket costs.

Supplemental Nutrition Assistance Program (SNAP)

SNAP is an important safety net for older adults—in 2016, over 40% of SNAP households had at least one adult age 50 or older. Research shows that older adults receiving SNAP are less likely to forgo needed medicine due to cost, and SNAP participation has also been linked to reduced

⁶ Jacobson, Gretchen; et al, Kaiser Family Foundation. "Income and Assets of Medicare Beneficiaries, 2016-2035" (April 21, 2017) available at: <https://www.kff.org/medicare/issue-brief/income-and-assets-of-medicare-beneficiaries-2016-2035/>.

⁷ Cubanski, Juliette; et al, Kaiser Family Foundation. "The Financial Burden on Health Care Spending: Larger for Medicare Households than for Non-Medicare Households" (March 1, 2018) available at: <https://www.kff.org/medicare/issue-brief/the-financial-burden-of-health-care-spending-larger-for-medicare-households-than-for-non-medicare-households/>.

⁸ Kaiser Family Foundation. "10 Essential Facts about Medicare and Prescription Drug Spending" (January 29, 2019) available at: <https://www.kff.org/infographic/10-essential-facts-about-medicare-and-prescription-drug-spending/>.

⁹ Lee, Shinduk; et al, "Attitudes, Beliefs, and Cost-Related Medication Nonadherence Among Adults Aged 65 or Older With Chronic Diseases" (December 6, 2018) *Prev Chronic Dis* 2018;15:180190, available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6292137/#>.

¹⁰ Aron-Dine, Aviva; et al, 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) available at: <https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicaid-medicare-and-premium-tax>.

hospital and nursing home admissions among older adults, resulting in millions of dollars in savings.¹¹

Adopting a slower-rising poverty line would have a large and growing impact on access to food assistance, causing an estimated 200,000 people to lose SNAP benefits altogether.¹² This would be particularly devastating for older adults living on fixed incomes who have limited financial resources to spend on food, housing, and other necessities.¹³

Low Income Home Energy Assistance Program (LIHEAP)

LIHEAP assists low-income households with their energy costs, reducing the risk of health and safety problems that arise from unsafe heating and cooling practices. About half of the nearly seven million households receiving LIHEAP benefits include an older adult or person with a disability for whom this assistance means avoiding difficult choices between paying for utilities or other necessities.¹⁴

The vast majority of LIHEAP households—82%—have annual incomes below \$20,000, and many experienced significant affordability challenges before receiving LIHEAP; one-third had to go without food or medication to pay their utility bills, while 15% had their utilities shut off due to nonpayment.¹⁵

People with low incomes are disproportionately impacted by energy costs, which take about 12% out of their paychecks, but only 2.7% from households with higher wages.¹⁶ Over time, shrinking the inflation adjustment for the poverty measure would worsen this disparity and affordability crisis, putting the health and economic security of an ever-growing number of low-income Americans at risk.

Medicaid

Smaller annual adjustments to the federal poverty line would also mean that Medicaid income eligibility limits—the maximum amount a family can earn to be eligible for Medicaid benefits—would be lower than they otherwise would have been in any given year, and they would continue to decrease over time. This would effectively lead to cuts in Medicaid services and/or

¹¹ Dean, Olivia; et al, AARP Public Policy Institute. “Supplemental Nutrition Assistance Program (SNAP) Provides Benefits for Millions of Adults Ages 50 and Older” (April 2018) available at: <https://www.aarp.org/content/dam/aarp/ppi/2018/04/snap-provides-benefits-for-millions-of-adults-ages-50-and-older.pdf>.

¹² Aron-Dine, Aviva; et al, 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) available at: <https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicare-medicare-and-premium-tax>.

¹³ Dean, Olivia; et al, AARP Public Policy Institute. “Supplemental Nutrition Assistance Program (SNAP) Provides Benefits for Millions of Adults Ages 50 and Older” (April 2018) available at:

¹⁴ National Energy Assistance Directors’ Association. “2018 National Energy Assistance Survey Final Report” (December 2018) available at: <http://neada.org/wp-content/uploads/2015/03/liheapsurvey2018.pdf>.

¹⁵ *Id.*

¹⁶ *Id.*

eligibility for older adults and people with disabilities—who tend to be among the program’s most costly enrollees—adversely affecting their health and welfare.¹⁷

Concerns with Proposed Approach

In addition to the practical—and deliberately unconsidered—implications of OMB’s proposal on low- and middle- income Americans, we have significant concerns with the agency’s rationale for pursuing this change and urge OMB to abandon this approach.

(1) OMB Presents a Flawed Case for Change

OMB’s proposal would lower the poverty line by applying a smaller cost-of-living adjustment each year, using either the Chained Consumer Price Index for All Urban Consumers (Chained CPI) or the Personal Consumption Expenditures Price Index (PCEPI) in place of the current measure, the Consumer Price Index for all Urban Consumers (CPI-U).

The Administration’s argument for the potential policy change is that the chained CPI is a more accurate measure of inflation. But it is not clear whether the chained CPI is a more accurate measure for low-income households, as we discuss more fully below.

Meanwhile, evidence indicates the poverty line already understates what many families need to get by. Considerable research over the years—including a major report by the National Academy of Sciences—has identified various ways in which the OPM is inadequate.¹⁸ For example, the poverty measure does not fully include certain costs that many low-income families face, such as child care. This is a significant flaw, and one that notably impacts people with Medicare. In addition to people eligible for Medicare due to disability who have child-care obligations, increasing numbers of older adults are caregivers for grandchildren and other relatives—and these costs are often significant.¹⁹

In accordance with the guidance of the National Academy of Sciences panel, federal analysts and researchers developed the supplemental poverty measure (SPM), which more fully measures the costs of basic living expenses likely to impact those living at or near the poverty line, including out-of-pocket medical spending.²⁰ With this more careful accounting, the SPM’s poverty line is higher than the official poverty line for most types of households: in 2017, based on OPM almost five million seniors over age 65 were living in poverty. This number rises to over seven million under the SPM.²¹

¹⁷ Park, Edwin; Georgetown U. Healthy Pol’y Inst. Ctr. For Children & Families. “Trump Administration Proposes to Make Many Fewer Low-Income Individuals and Families Eligible for Medicaid and CHIP Over Time” (May 9, 2019) available at: <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/>.

¹⁸National Research Council. “Measuring Poverty: A New Approach” (1995) The National Academies Press.

¹⁹ Lent, Jaia Peterson; et al, Generations United. “Grandparents, Grandchildren, and Caregiving: The Impacts of America’s Substance Use Crisis” available at: <https://www.asaging.org/blog/grandparents-grandchildren-and-caregiving-impacts-americas-substance-use-crisis>.

²⁰ Cubanski, Juliette; et al, Kaiser Family Foundation. “How Many Seniors Live in Poverty?” (November 19, 2018) available at: <https://www.kff.org/medicare/issue-brief/how-many-seniors-live-in-poverty/>.

²¹ *Id.*

Moreover, the OMB notice fails, expressly, to consider a range of important issues that need to be carefully studied before making any change to the poverty line. We strongly urge OMB not to ignore the evidence of low-income spending and income patterns, and to conduct extensive research on the impacts of its proposal. In addition to the impact these changes would have on eligibility for federal health, nutrition, and other assistance programs, other areas for additional examination include well-documented problems with the OPM and established research showing the different rates of inflation for low-income households versus the population as a whole. Prior to moving forward with any changes, OMB must undertake a serious analysis of each of these and other important issues, publish these findings, and solicit public comment.

Further, by focusing on just one of many questions about the current poverty line—how it is updated for inflation—while ignoring the many other important issues that need to be considered and analyzed to construct a more accurate measure, OMB’s proposal would likely make the poverty line less accurate, giving policymakers and the public less credible information about the number and characteristics of American families struggling to make ends meet. And by incorrectly defining even more low-income Americans as not living in poverty—even though they would still struggle to pay for essential needs—many low-income people with Medicare would be left without the critical assistance they need to afford basic living and health care expenses.

(2) OMB Fails to Consider Evidence That Low-Income Households May Experience Higher Inflation

The CPI-U represents nearly all of the U.S. population, but excludes people living in rural areas, Armed Forces members and their families, and people living in institutions. It was created during the Johnson Administration and is generally thought to be outdated.²² We are concerned that OMB’s proposed alternatives are even more inadequate.

The Chained CPI is particularly problematic.²³ This formulation assumes that as the cost of goods increase, consumers will substitute less expensive products in their expenditure patterns. However, this approach fails to consider the reality of low-income consumer spending. That is, relative to the rest of the population, low-income people spend a greater proportion of their income on faster-rising goods and services—like housing and health care—and are much less likely to purchase expensive or even moderately-priced products. For these households, there are no available lower-cost substitutes.

Consider, for example, that in recent years prices have been rising faster for the types of goods and services that dominate poorer households’ spending. Low-income households spend more of their income on housing, for which costs have been increasing faster than the overall CPI. Two recent studies suggest that, at least in recent years, inflation for low-income households

²² While the CPI is indexed for inflation, it has not been updated to reflect modern spending patterns or income sources.

²³ Research suggests that PCEPI would have somewhat of a larger negative effect—the Chained CPI will reduce the poverty line by 2%, while the PCEPI will reduce it by 3.4%. Both the Chained CPI and PCEPI rise slower than the current measure and will result in a lower poverty line.

has been higher than for the population as a whole.²⁴ In addition, the price of rent rose 31% from 2008 to 2018, much faster than the overall CPI-U (17%).²⁵ Some research also suggests lower-income households have less ability to change their consumption patterns when relative prices change—for example, because they already purchase the lowest-cost option, have few retail outlets in their neighborhood, lack access to convenient transportation, or do not have internet service at home.²⁶

These restrictions and limitations apply to an even greater extent to lower-income seniors and people with disabilities, who can face additional access issues and can have more static health care and health care-adjacent needs that cannot be altered or modified as prices change.

These studies indicate that low-income households may experience higher rates of inflation than average or high-income households. As such, indexing the poverty threshold by an inflation measure that grows less rapidly, such as the chained CPI, could make the poverty measure less accurate, not more so. At the very least, considerably more research is needed on this issue. OMB should undertake such a process and seek additional input from researchers, as well as the public, before making any change.

(3) Further Study by OMB is Needed in Order to Fully Consider the Impact of the Proposed Change on HHS's Poverty Guidelines

Despite OMB's lack of solicitation for feedback on how its proposal would impact the HHS poverty guidelines, it remains unavoidable that any change to the poverty threshold would, in fact, affect the poverty guidelines and the programs that use such numbers directly or indirectly to determine benefit eligibility. As such, it is incumbent upon OMB to engage in a process of serious research, analysis, and public comment to fully assess this or any other proposal.

Any endeavor to modify the poverty threshold formulation should not proceed otherwise—the stakes are too high. Shrinking the annual rate of increase in the OPM would necessarily—and artificially—categorize more low-income individuals as having incomes above the poverty line, even though their circumstances would remain unchanged and they would still struggle to make ends meet. We are concerned that the statistical fiction created by using an inaccurate measure of inflation would cause undue hardships for people with Medicare and their families.

²⁴ Kaplan, Greg; et al, "Inflation at the Household Level" *Journal of Monetary Economics* (2017) available at: https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf, and David Argente and Munseob Lee, "Cost of Living Inequality during the Great Recession" Kilts Center for Marketing at Chicago Booth — Nielsen Dataset Paper Series 1-032 (March 1, 2017) available at: <https://ssrn.com/abstract=2567357>.

²⁵ Sherman, Arloc; et al, Center on Budget and Policy Priorities. "Reducing Cost-of-Living Adjustment Would Make Poverty Line a Less Accurate Measure of Basic Needs" (June 11, 2019) available at: <https://www.cbpp.org/research/poverty-and-inequality/reducing-cost-of-living-adjustment-would-make-poverty-line-a-less>.

²⁶ Kaplan, Greg; et al, "Inflation at the Household Level" *Journal of Monetary Economics* (2017) available at: https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf. David Argente and Munseob Lee, "Cost of Living Inequality during the Great Recession" Kilts Center for Marketing at University of Chicago Booth School of Business, Nielsen datasets Joint Paper Series (March 1, 2017) available at: <https://ssrn.com/abstract=2567357>. Benjamin Faber and Thibault Fally, "Firm Heterogeneity in Consumption Baskets: Evidence from Home and Store Scanner Data" National Bureau of Economic Research, Working Paper No. 23101 (August 2017) available at: <https://www.nber.org/papers/w23101>. Xavier Jaravel, "The unequal gains from product innovations: Evidence from the US retail sector" Washington Center for Equitable Growth (March 14, 2017) available at: <https://equitablegrowth.org/working-papers/unequal-gains-from-product-innovations/>.

Denying people needed assistance by making the poverty threshold a less accurate reflection of their circumstances is contrary to Congressional intent and the national interest.

Conclusion

As discussed throughout, the OMB notice contemplates changes that could create additional uncertainties and challenges for people with Medicare living on fixed or limited incomes. We are concerned that if adopted, over time this new system would cause ever-fewer people to qualify for essential assistance programs, despite their not experiencing any upward financial mobility. While we appreciate the agency's recognition that the current poverty threshold is outdated, its proposal would likely only worsen these existing flaws. We urge you to abandon this approach, in favor of launching a thoughtful stakeholder dialogue, conducting much-needed research and analysis on an array of potential modifications, and engaging in a meaningful public comment process.

Again, thank you for the opportunity to provide comments. We look forward to working together to ensure all people with Medicare have access to the services and supports they need to live with health, dignity, and choice. For additional information, please contact Lindsey Copeland, Federal Policy Director at LCopeland@medicarerights.org or 202-637-0961 and Casey Schwarz, Senior Counsel, Education & Federal Policy at CSchwarz@medicarerights.org or 212-204-6271.

Sincerely,



Fred Riccardi
President
Medicare Rights Center