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COMMENTS to the Office of Management and Budget (OMB), OMB–2019–0002

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

Submitted by Kentucky Equal Justice Center

Date: 06/19/2019

Kentucky Equal Justice Center (KEJC) respectfully submits the following comments to OMB in response to the **Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies** posted on May 7, 2019.

KEJC works with community partners and Kentucky’s Legal Services Corporation (LSC)-funded legal aid programs to address issues affecting low-income Kentuckians. With the aim of promoting equal access to justice for all our neighbors, KEJC engages in policy and legal advocacy on behalf of Kentucky residents and directly enrolls Kentuckians in Medicaid and federal marketplace healthcare plans. Like our LSC-funded legal aid partners, KEJC determines eligibility for direct services using the federal poverty guidelines. We understand that the OMB is not seeking comment on the potential impact to the poverty guidelines published by the Cabinet for Health and Human Services (HHS). However, we respectfully urge the OMB to consider research and solicit public comments on the potentially negative impact that changing the thresholds would have on low-income and other vulnerable populations served by providers like us.

While KEJC appreciates the opportunity to comment on proposed changes to the method for setting the federal poverty line, we were alarmed by the proposal to change that method from the current Consumer Price Index (CPI-U) to the Chained CPI or the Personal Consumption Expenditures Price Index (PCEPI).

Redefining poverty does nothing to eliminate, or lessen, poverty. Kentucky has one of the highest poverty rates in the nation with 17% of Kentuckians and more than one in five Kentucky children living below the poverty line.¹ We regularly meet with Kentuckians who are working hard to survive in this margin. We ask about their income and expenses to evaluate them for services, help them apply for healthcare, or discuss the impact an unfair business practice has on their lives. We accept clients who fall at or below 200% of the poverty line. We find that even at twice the actual poverty line, our clients do not have the financial resources to meet all their basic needs each month.

¹ Annie E. Casey Foundation’s Kid Count Data Center, <https://datacenter.kidscount.org/data/tables/52-population-in-poverty?loc=19&loct=2#detailed/2/19/false/871,870,573,869,36,868,867,133,38,35/any/339,340>.

The poverty line is meant to establish the level of income a family needs to afford the basics, but it is already far below what is needed to raise a family. Even in a state like Kentucky with relatively low cost of living, our clients' budgets show that they're not making enough to meet their families' basic needs. For example, the National Low-Income Housing Coalition (NLIHC) just released a report which ranked Kentucky third in the nation for housing affordability. In other words, 47 other states had housing that was less affordable than Kentucky, and yet NLIHC's report still found that a Kentuckian earning minimum wage would need to work 65 *hours per week* to afford a one-bedroom rental at fair market value!²

We hear the same thing from our legal aid partners who directly serve hundreds of low-income Kentuckians every day: poverty is a real threat to the health and well-being of our fellow Kentuckians. This proposal would only make a bad situation worse.

It has long been understood that the Official Poverty Measure (OPM or the poverty threshold) is incomplete and outdated. It was first set during the Johnson Administration after research showed that low-income families spent about one-third of their income on food. Since then, it's been increased for inflation but without research-based reference to current spending patterns. Today's families with children, for example, spend a high percentage of their income on housing and childcare.

Simply changing the annual inflation adjustment is certain to result in further inaccuracies. Any change should build on existing research, and the research suggests the OPM is too low for most types of households. The research also indicates that shrinking the inflation adjustment will make the OPM less accurate. The Census Bureau has begun this kind of research, developing the Supplemental Poverty Measure, which counts income sources such as SNAP, refundable tax credits, and expenditures like housing, childcare, 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 current measure.

This proposal wrongly assumes that Chained CPI will be a more accurate measure of poverty because it accounts for substitution (*i.e.* the idea that as prices change, people's purchasing habits change too). However, low-income individuals and families don't substitute like people with more financial resources. Low-income household budgets are already razor-thin and don't allow for such flexibility. Studies confirm that in recent years, inflation has risen faster for low-income households than for households overall,³ which may be due to the rapidly rising cost of rental housing. The cost of rental housing is growing faster than CPI-U and disproportionately affects low-income households that are more likely to rent than buy.⁴ In short, using Chained CPI or

² See National Low-Income Housing Coalition's "Out of Reach: 2019" report at <https://reports.nlihc.org/oor>. Kentucky-specific data available at: <https://reports.nlihc.org/oor/kentucky>.

³ See, for example, Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," *Journal of Monetary Economics*, August 2017, https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf and David Argent 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, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2567357.

⁴ Sharon Parrott, "Trump Administration Floating Changes to Poverty Measure That Would Reduce or Eliminate Assistance to Millions of Low-Income Americans," Center on Budget and Policy Priorities, May 7, 2019,

PCEPI would result in slower inflation, preventing the poverty line from rising with the actual inflation rate that low-income Americans experience.

Because HHS's poverty guidelines are based directly on the OPM, lowering the OPM (or causing it to rise more slowly) would negatively impact eligibility for health care, nutrition, and other assistance programs. More research is necessary to gauge the number of individuals who would lose Medicaid, CHIP, and marketplace subsidies and the number of seniors and people with disabilities who would lose or receive less help from Medicare Part D's Low-Income Subsidy. More research is also necessary on the impact this change will have on access to federal nutrition programs, including SNAP, WIC, and free school meals. This analysis should be conducted in partnership with all the federal agencies that administer those programs, and public comments should be solicited through formal rulemaking.

Research should also illuminate disparate impact. Relatively low-income states like Kentucky could see disproportionate effects on state, local and community agency budgets. Impact could fall disproportionately upon racial and ethnic minorities and, significantly in the Appalachian Region, rural communities. Low-income working families with earned income near current thresholds of safety net programs could lose vital supports.

Changing eligibility thresholds will impact real people who are struggling to afford their family's basic needs. Estimates suggest that after ten years:

- More than 250,000 seniors and people with disabilities would lose help paying for prescription drug costs;
- More than 300,000 children would lose their health insurance through Medicaid and CHIP coverage;
- More than 250,000 adults would lose coverage through Medicaid expansion;
- More than 150,000 marketplace consumers would lose cost-sharing assistance and see higher deductibles for their health insurance; and
- Tens of thousands would lose premium tax credits which makes purchasing health insurance more affordable.

This proposal, if adopted, would undermine the health and economic wellbeing of families that are already struggling to make ends meet. We support efforts to adjust the calculation method for the OPM, but we strongly recommend methods that result in raising the OPM to more accurately reflect poverty in Kentucky and across the nation. One potential solution is using the Census Bureau's Supplemental Poverty Measure.^{5,6} Finally, the Request for Comment should include analysis from the Census Bureau on the accuracy of other inflation measurements and a review of the relevant research literature.

<https://www.cbpp.org/press/statements/trump-administration-floating-changes-to-poverty-measure-that-would-reduce-or>.

⁵ Rebecca Blank and Mark Greenberg, "Improving the Measurement of Poverty," Hamilton Project, Brookings Institution, December 2008, https://www.brookings.edu/wp-content/uploads/2016/06/12_poverty_measurement_blank.pdf.

⁶ Parrott, *op cit* and National Research Council, *Measuring Poverty: A New Approach*, National Academies Press, 1995.

Thank you for this opportunity to comment,

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