June 21, 2019

Nancy Potok
Chief, Statistical and Science Policy
Office of Information and Regulatory Affairs
Office of Management and Budget


Dear Ms. Potok,

On behalf of over 225 children’s hospitals across the country, the Children’s Hospital Association (CHA) appreciates the opportunity to provide comments on the Office of Management and Budget’s (OMB) Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies (Request) and the potential replacement of the Consumer Price Index for All Urban Consumers (CPI-U) with another measure of inflation for purposes of calculating the Census Bureau’s Official Poverty Measure (OPM). We urge you to undertake in-depth research and analysis and solicit public comments regarding the potentially negative impact such a change would have on low-income and other vulnerable populations, including children, prior to making any changes to the index.

Though children’s hospitals account for only 5% of hospitals in the United States, they provide 47% of the hospital care needed by children covered by Medicaid. Together, Medicaid and the Children’s Health Insurance Program (CHIP) provide health care coverage to more than 46 million children—making these programs crucial for protecting and improving children’s health. On average, over half of all care provided at children’s hospitals is funded through Medicaid and CHIP.

Any changes to the index underlying the OPM would have a direct impact on the poverty guidelines that govern eligibility for Medicaid, CHIP and other critical child health and social support programs. Though you do not seek comment on those impacts in this Request, it is absolutely imperative that they are fully understood. In particular, it is vitally important that a detailed impact analysis is conducted that includes modelling of the numbers and demographics of individuals, including children, who would lose coverage as a result of the change; the impact on various types of service providers, including children’s hospitals; and how the impacts would change over time. For example, a recent analysis\(^1\) estimates that more than 300,000 children would be at risk of losing their Medicaid or CHIP coverage after ten years of updating the poverty line using the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) or “chained” CPI, one of the options included in the Request.

An impact analysis must also include a review of the policy and legal implications of a change in the index and should be conducted not just by OMB, but by the various federal agencies administering the affected low-income

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programs. Finally, the OMB must solicit extensive public comments on any proposed changes through the formal rulemaking process.

We note that research studies have found that both “chained” CPI, and the Personal Consumption Expenditures Price Index (PCEPI) indices generally result in lower estimates of annual inflation than the CPI-U, leading to a lower OPM than would otherwise be the case. Those differences grow dramatically over time under both indices. Studies have also found that these alternative indices are not likely to be any more accurate than CPI-U, especially for purposes of measuring poverty. In fact, the use of “chained” CPI, PCEPI or other indices that shrink the inflation rate will result in more inaccuracies in the measurement of inflation and its impact on poverty levels, rather than less.

Therefore, OMB should focus its work on identifying a more accurate metric by building on existing research that suggests the OPM is already too low for most types of households and consider adjustments to effectively raise it. For example, we believe the OPM should be fully adjusted for out-of-pocket medical costs and other expenses that many low-income families incur, such as child care, which is currently not adjusted for. The Census Bureau’s Supplemental Poverty Measure, based on a National Academy of Sciences study, is a promising approach that more accurately takes into account household living expenses, which may be a better measure of the poverty rate for most types of households.

In conclusion, CHA urges the OMB to not move forward with the proposed alternatives for measuring poverty without extensive in-depth research and analysis to determine the impacts of the policy change, including through the formal public comment process. If you have any questions, please contact Jan Kaplan. Thank you for your consideration.

Sincerely,

M. James Kaufman, Ph.D.
Vice President, Public Policy

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