



*The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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June 19, 2019

Nancy Potok, Chief Statistician
Office of Management and Budget
Submitted electronically via www.regulations.gov

**Re: Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies
(Published in Federal Register Volume 84, Number 88, page 19961 on May 7, 2019)**

Dear Dr. Potok:

The Massachusetts Health Connector respectfully accepts the opportunity provided by the Office of Management and Budget ("OMB") to respond to the "Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies" published in the Federal Register on May 7, 2019.

The Massachusetts Health Connector ("Health Connector") is a state-based Marketplace authorized under state law and the Affordable Care Act. The Health Connector is designed to connect Massachusetts residents with high quality, affordable health coverage and to promote universal health coverage in the Commonwealth. Today, the Health Connector serves over a quarter-million Massachusetts residents, including roughly 280,000 individuals as well as approximately 6,500 small business employees. Together with sister state agencies and a diverse array of stakeholders and market participants, the Health Connector's efforts have contributed to the Commonwealth's status as one of the healthiest states in the nation,¹ with a nation-leading health insurance rate of over 97 percent,² and the lowest-cost average Marketplace premiums in the country for the past three years running.³

The Health Connector urges a careful and thorough examination of potential changes to indexing methodologies because of the close link between the official poverty measure (OPM) and the poverty guidelines used to determine eligibility for a variety of health and human service programs. While this request for comment is not focused on the poverty guidelines or their application, any discussion of indexing modifications to the OPM would be incomplete if it did not consider the practical implications for American households that depend on public programs for economic security and health, like those administered through State-Based Marketplaces like the Health Connector. For example, indexing the OPM using the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) rather than the unchained Consumer Price Index for All Urban Consumers (CPI-U) used today would translate into lower

¹ See www.mass.gov/news/massachusetts-named-healthiest-state-in-the-nation.

² U.S. Census Bureau, at www2.census.gov/programs-surveys/demo/tables/p60/264/table6.pdf.

³ Analysis of CMS Public Use Files, at www.cms.gov/CCIIO/Resources/Data-Resources/marketplace-puf.html.

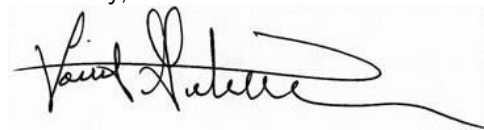
poverty guidelines year over year. This would have the practical impact of reducing the amount of health insurance premium subsidies (e.g., the Affordable Care Act's Advance Premium Tax Credits, and the state premium subsidies that "wrap" around those) available through the Health Connector for all subsidized enrollees, and it would also result in some individuals failing to qualify for subsidies altogether who would otherwise have qualified under an OPM calculated using CPI-U. The Health Connector estimates that over ten years, nearly 5,500 individuals who qualify under today's standards would lose essential state and/or federal premium and cost sharing supports if C-CPI-U were used for indexing. Combined with reduced availability of supports from other human service programs should such an indexing change be effectuated, many American families like those served by the Health Connector in Massachusetts may find themselves with reduced access to essentials like health care, food, and child care.

The Health Connector asks that OMB consider indexing methodologies that address higher rates of inflation among low-income households. Research has consistently found that low-income households experience a higher inflation rate than higher-income households.⁴ In this way, the current CPI-U methodology is insufficient to reflect the experience of inflation by low income households, and use of C-CPI-U or other slower-growing alternatives exacerbates an existing problem, rather than solving it. Furthermore, the 10-12 month delay between estimation and finalization of chain-weighted methodologies like the C-CPI-U and the Personal Consumption Expenditures Price Index (PCEPI) renders the OPM less responsive to economic conditions being experienced by low-income households. The OPM is already widely considered insufficient to reflect the cost of living; the Census Bureau has designed a Supplemental Poverty Measure to more accurately measure the number of Americans struggling to meet basic expenses.⁵ Using an indexing methodology that tends to reduce, rather than increase, the OPM would only exacerbate that problem.

While chained indexing methodologies may more accurately reflect substitutions households make when prices rise, they are not appropriate when considering medical costs, which have risen rapidly over the last decade. While households may substitute chicken when beef prices rise, they are not likely to choose an x-ray in lieu of a costlier MRI. Health Connector members increasingly report that their health care costs are unaffordable, despite the availability of premium and cost sharing subsidies for roughly 75% of its enrollees. In a 2018 survey of its members, 21% of respondents indicated trouble paying medical bills in the prior six months, up significantly from 12% in 2015. While the Consumer Price Index for the Elderly (CPI-E) accounts for the burden of health care costs, the Health Connector would not recommend using it as the basis for the overall OPM, given its experimental status as well as the need for a broadly applicable poverty measure for households of all ages.

We thank you for consideration of our comments and would be pleased to provide additional feedback or information to OMB, as needed.

Sincerely,



Louis Gutierrez
Executive Director

⁴ Argente, D., Lee, M. (2016.) Cost of Living Inequality During the Great Recession. University of Chicago.

https://www.economicdynamics.org/meetpapers/2015/paper_1372.pdf; Kaplan, G. and Schulhofer-Wohl, S. (2017). Inflation at the Household Level. *Journal of Monetary Economics*. <https://doi.org/10.1016/j.jmoneco.2017.08.002>

⁵ National Research Council. (1995.) *Measuring Poverty: A New Approach*. Washington, DC: The National Academies Press.

<https://doi.org/10.17226/4759>; Besharov, D.J. and Germanis, P. (2004.) *Reconsidering the Federal Poverty Measure*, University of Maryland Welfare Reform Academy, <http://www.welfareacademy.org/pubs/poverty/povmeasure.description.pdf>; Karpman, M., Zuckerman, S. and Gonzalez, D. (2018.) "Material Hardship among Nonelderly Adults and Their Families in 2017," Urban Institute. https://www.urban.org/sites/default/files/publication/98918/material_hardship_among_nonelderly_adults_and_their_families_in_2017.pdf