

The Commonwealth of Massachusetts  
Executive Office of Health and Human Services  
Office of Medicaid  
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June 21, 2019

Nancy Potok, Chief Statistician  
The Office of Management and Budget  
725 17th Street, NW  
Washington, DC 20503

Re: Comments on Consumer Inflation Measures Produced by Federal Statistical Agencies,  
OMB-2019-0002

Dear Dr. Potok:

The Massachusetts Medicaid and Children's Health Insurance Program (MassHealth) appreciates the opportunity to comment on the proposed changes to consumer inflation measures that may be used to adjust the official poverty measure (OPM).

The OPM is closely linked to the poverty guidelines used to determine eligibility for a variety of health and human service programs. Altering the calculation of those thresholds would have a direct impact on millions of Americans struggling to make ends meet, including thousands of MassHealth Members. **The utilization of alternative measures of inflation that are under consideration would reduce eligibility for vital benefits like health insurance over time, and therefore we oppose any changes to the measures used to calculate the OPM that have the effect of lowering the growth of inflation over time.**

MassHealth provides comprehensive, affordable health coverage to approximately 1.8 million residents of the Commonwealth, including 40% of all Massachusetts children, 15% of all seniors, and 60% of all residents with disabilities. MassHealth's mission is to improve the health outcomes of our diverse members, their families, and communities by providing access to integrated health care services that sustainably promote health, well-being, independence, and quality of life. As a national leader in innovations to expand and improve coverage, MassHealth was one of the first Medicaid





programs approved to expand Substance Use Disorder (SUD) services, and restructured the state's health care delivery model by implementing Accountable Care Organizations in 2018 to promote coordinated, value-based care.

Medicaid coverage has been associated with a number of positive health outcomes as well as economic benefits for Medicaid recipients and state economies.<sup>1</sup> Research has also shown that people who lose coverage are more likely to experience unmet health care needs and forgo medication because of cost than those consistently insured.<sup>2</sup> Access issues like these place additional strain on health care systems and ultimately lead to higher costs and poor health outcomes.

**The current method for calculating the OPM is already widely considered to be insufficient in reflecting the cost of living for low-income households.<sup>3</sup> Using either of the measures under consideration would only exacerbate the problem.** Research has consistently found that low-income households experience a higher inflation rate than higher-income households.<sup>4</sup> In this way, the current Consumer Price Index for All Urban Consumers (CPI-U) methodology already underestimates the experience of inflation for low-income households. Use of Chained Consumer Price Index for All Urban Consumers (C-CPI-U) or Personal Consumption Expenditure Price Index (PCEPI) would result in a further understatement of inflation relative to CPI-U, and widen the divide between the inflation measure and a low-income household's experience.

Additionally, there is limited evidence to suggest that inflation measures such as C-CPI-U and PCEPI that account for "substitution bias," which occurs when consumers substitute goods in response to price changes, should be considered when measuring the OPM. Low-income consumers spend a greater portion of their income on necessities at the least expensive price point, giving them fewer options to "substitute." 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 changing economic conditions being experienced by low-income households.

**There are thousands of MassHealth members, including vulnerable children and seniors, whose current incomes rest just below the upper income limit for eligibility for MassHealth who would become ineligible over time if their incomes were to "increase" under the proposed formulas.**

By 2030, using C-CPI-U instead of CPI-U would reduce the effective eligibility threshold for children from 300% of the federal poverty level to 291% of the poverty level, so that children who are

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<sup>1</sup>Manatt, Phelps & Phillips, LLP. (2019.) Medicaid's Impact on Health Care Access, Outcomes and State Economies. Robert Wood Johnson Foundation. <https://www.rwjf.org/en/library/research/2019/02/medicaid-s-impact-on-health-care-access-outcomes-and-state-economies.html>;

Brevoort, Kenneth; Grodzicki, Daniel; Hackmann, Martin B. (2017.) Medicaid and Financial Health <https://www.nber.org/papers/w24002> The National Bureau of Economic Research.

<sup>2</sup>Carlson, Matthew J.; DeVoe, Jennifer; Wright, Bill J. (2006.) Short-Term Impacts of Coverage Loss in a Medicaid Population: Early Results From a Prospective Cohort Study of the Oregon Health Plan. *Annals of Family Medicine*. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1578659/>

<sup>3</sup> See *Measuring Poverty* at 24-31 for a detailed critique of the OPM formula. See also Benjamin Bridges & Robert Gesumaria, *The Supplemental Poverty Measure (SPM) & Children: How & Why the SPM & Official Poverty Estimates Differ*, Soc. Sec. Bulletin Vol. 75, No. 3 (2015), available at <https://www.ssa.gov/policy/docs/ssb/v75n3/v75n3p55.html#mn5>.

<sup>4</sup> 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](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>

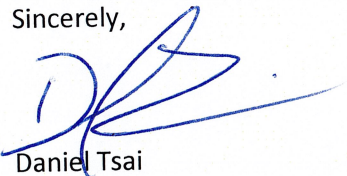


currently eligible for MassHealth at 291-300% of the poverty line would no longer receive those benefits. Similarly, eligibility for seniors would effectively be reduced from 100% to 97% of the poverty level. That means that the maximum income for a low-income senior to qualify for Medicaid would be reduced from \$12,490 to \$12,102 in today's dollars. Using PCEPI would not make as significant an impact, but would still result in lower poverty guidelines than the status quo and lead to reduced eligibility for Medicaid and CHIP. Many of these individuals and families are already struggling to make ends meet, and losing MassHealth benefits would result in additional and unnecessary financial burden and potential detrimental health impacts.

In addition to MassHealth, eligibility for dozens of safety net programs is derived from the OPM. Many of the same low-income individuals who would become ineligible for MassHealth under proposed formulas would also be at risk of losing other benefits like the Supplemental Nutrition Assistance Program (SNAP), Women, Infants & Children (WIC) Nutrition Program, and housing supports. These benefits address many of the social determinants of health, and access to them has been directly linked to positive health outcomes and lower health care utilization.<sup>5</sup> A reduction in eligibility for any one of these services will impact health across the Commonwealth, and will have significant adverse effects on many households, especially those who experience a cascade of benefit loss because of income ineligibility.

Massachusetts is proud to be one of the healthiest states in the nation,<sup>6</sup> with a nation-leading health insurance rate of over 97 percent.<sup>7</sup> Using indexes like C-CPI-U and PCEPI will limit eligibility for MassHealth, running counter to the efforts Massachusetts has made to expand coverage and improve quality of care across the Commonwealth. With these considerations in mind, **we strongly recommend maintaining the current inflation measure, CPI-U, for the purposes of defining OPM at least until such time as an inflation measure that accurately reflects the inflation factors that individuals struggling with poverty face is developed.**

Sincerely,



Daniel Tsai

Assistant Secretary for MassHealth and Medicaid Director

cc: Marylou Sudders, Secretary, Executive Office of Health and Human Services

<sup>5</sup> Gunderson, Craig and Ziliak, James P. (2015.) Food Insecurity and Health Outcomes. *Health Affairs*. <https://www.healthaffairs.org/doi/10.1377/hlthaff.2015.0645>; Kotke, Thomas, et.al. (2015.) Access to Affordable Housing Promotes Health and Well-Being and Reduces Hospital Visits *The Permanente Journal*. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5737920/>

<sup>6</sup> See [www.mass.gov/news/massachusetts-named-healthiest-state-in-the-nation](http://www.mass.gov/news/massachusetts-named-healthiest-state-in-the-nation).

<sup>7</sup> U.S. Census Bureau, at [www2.census.gov/programs-surveys/demo/tables/p60/264/table6.pdf](http://www2.census.gov/programs-surveys/demo/tables/p60/264/table6.pdf).