



June 21, 2019

Director Mick Mulvaney
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Re: Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies,
OMB–2019–0002

Dear Director Mulvaney,

Covered California is submitting comments in response to the request for comment regarding the differences among the various consumer price indexes and how those differences might influence the Official Poverty Measure (OPM) produced by the Census Bureau. We provide the following comments based on our experience and analysis of the necessary efforts to ensure ongoing sustainability for a state-based marketplace, maintaining a viable risk-mix, and providing effective services to the consumers we serve.

The Office of Management and Budget (OMB) is specifically requesting comment on the strengths and weaknesses of changing the index used to inflate the OPM by using The Consumer Price Index for All Urban Consumers (CPI–U), the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI–W), the Chained Consumer Price Index for All Urban Consumers (C–CPI–U), the Consumer Price Index Research Series (CPI–U–RS), and the experimental Consumer Price Index for Urban Elderly Consumers (CPI–E).

Currently, Statistical Policy Directive Number 14¹ directs the Bureau of the Census (Census Bureau) to annually adjust the OPM based on changes in the average annual total Consumer Price Index (CPI). Should OMB change the indexing measure from CPI, it will be the first time the OPM will be indexed using a lower measure of inflation in over 40 years. While this request for comment is seeking additional information on the strengths and weaknesses of changing the indexing measure, we are concerned that OMB is not taking into account the real world implications this change will have on programs like Medicaid and the Affordable Care Act.

¹ Office of Management and Budget (OMB) Statistical Policy Directive 14 (May 1978)

According to the Congressional Budget Office (CBO), C-CPI-U grows about .25 percentage points more slowly per year than CPI-U.² While this may seem minimal, a change like this compounds itself, with its full effects becoming noticeable over time.

It is important to fully understand the implications a change like this may have on all programs that use the OPM as a basis for calculating federal assistance. To receive Premium Tax Credits for individual health insurance through an Exchange, an individual must meet certain eligibility criteria³ and have household income within a defined range. As required in statute, the Department of Health and Human Services (HHS) indexes the OPM using CPI to determine annual Federal Poverty Guidelines, which are used to determine the amount of subsidies an individual is eligible for coverage through an Exchange.⁴ Changing the OPM, which would have wide-ranging effects, without a detailed analysis of what the impacts would be, is concerning and could have serious unanticipated consequences.

Covered California is also concerned with the potential impact a change like this, in conjunction with other federal actions, will have on the individual health insurance market. In the 2020 Benefit and Payment Parameters, HHS made changes to the annual premium adjustment methodology that will result in higher out-of-pocket costs for individuals in the individual health insurance market. According to HHS, this change alone will decrease Premium Tax Credits by over \$4 billion through plan year 2023 and decrease Exchange enrollment year over year.⁵ Additionally, other federal actions have directly affected the costs associated with obtaining health coverage in the individual market, such as the removal of the penalty in 2019, cutbacks in marketing and outreach, and the promotion of short-term and non-ACA-compliant plans that pull consumers out of the common risk pool.

Before OMB makes a determination as to whether or not a change to the indexing measure is warranted, OMB should provide a detailed analysis, including estimates of both the short term and long term impacts a change like this may have on out-of-pocket expenses for individuals obtaining health insurance coverage through Exchanges.

Thank you for your consideration of our comments. If you have any questions or would like more information, please feel free to contact me.

Sincerely,



Peter V. Lee

Executive Director

cc: Covered California Board of Directors

² Congressional Budget Office: Using the Chained CPI to Index Social Security, Other Federal Programs, and the Tax Code for Inflation (April 18, 2013)

³ 45 C.F.R. §155.305

⁴ 42 U.S.C. § 9902(2)

⁵ 2020 Benefit and Payment Parameters RIN 0938-AT37