AMA
AMERICAN MEDICAL ASSOCIATION

JAMES L. MADARA, MD
EXECUTIVE VICE PRESIDENT, CEO

ama-assn.org
t (312) 464-5000

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Nancy Potok
Chief Statistician
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

Dear Ms. Potok:

On behalf of the physician and medical student members of the American Medical Association (AMA), I appreciate the opportunity to offer our comments to the Office of Management and Budget (OMB) on the Consumer Inflation Measures Produced by Federal Statistical Agencies. The OMB seeks comment on the strengths and weaknesses of various consumer price indexes produced by the Bureau of Labor Statistics (BLS) and the Bureau of Economic Analysis (BEA), and in particular how differences among the indexes might influence the estimation of the Official Poverty Measure (OPM). For reasons explained below, the AMA urges the OMB to refrain from using the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) measure to estimate the Official Poverty Measure (OPM).

Prominent inflation measures developed by the BLS are constructed using a weighted average of prices for most of the U.S. population. However, vulnerable populations may not be well-represented by the weighted averages. Studies have shown that inflation in recent years is higher for lower-income households.[1, 2] Because the C-CPI-U consistently trends below the Consumer Price Index for All Urban Consumers (CPI-U), it is likely that the C-CPI-U understates inflation for vulnerable groups at least as much as, if not more than, the CPI-U. While the C-CPI-U accounts for substitution between item categories, low-income households face a different set of constraints and may not have the same flexibility as other households to substitute products. One study provides evidence that the ability of high-income households to adjust their shopping behaviors using methods predominantly available to them can explain differences in inflation across income groups.[1] Utilizing the C-CPI-U for the OPM will further underestimate the inflation faced by lower-income households.

While OMB does not seek comment on the poverty guidelines, we believe it is important to mention that a change from the CPI-U to the C-CPI-U in determining the OPM under the current poverty guidelines

[1] Argente, David and Lee, Munseob, Cost of Living Inequality during the Great Recession (March 1, 2017). Available at https://ssrn.com/abstract=2567357.
[2] Kaplan, Greg and Schulhofer-Wohl, Sam, Inflation at the Household Level, Journal of Monetary Economics (2017), available at http://doi.org/10.1016/j.jmoneco.2017.08.002.
[3] Chained CPI Estimate - Congressional Budget Office (March 1, 2013), available at https://www.cbo.gov/sites/default/files/cbofiles/attachments/Government-wide_chained_CPI_estimate-2014_effective.pdf.

will substantially reduce eligibility for critical health programs. In 2013, the Congressional Budget Office (CBO) estimated that switching to the C-CPI-U in 2014 would result in a $28.5 billion decrease in spending for health programs over the ten-year period ending in 2023, in part due to adjustments to the poverty thresholds and guidelines.[3] The likely cause of this spending decrease would be the loss of eligibility for or coverage under federal health care and human services programs. We believe that comparable consequences would be present today.

Using the C-CPI-U to calculate inflation penalizes vulnerable populations by understating their higher inflation. Using it to derive the OPM would create an additional penalty by affecting eligibility thresholds for multiple health and human services programs across the country, including access to health care coverage. **Accordingly, to avoid great harm to some of this country's most vulnerable patients, we urge this office to not use the C-CPI-U to derive the OPM.**

We thank you for the opportunity to respond to this notice. If you have any questions regarding this letter, please contact Margaret Garikes, Vice President of Federal Affairs, at margaret.garikes@ama-assn.org or 202-789-7409.

Sincerely,

James L. Madara. MD