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Administration's Poverty Line Proposal Would Cut Health, Food Assistance for Millions Over Time

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The Trump Administration is considering a change to the federal poverty line that would ultimately cause millions of people to lose eligibility for, or receive less help from, health, food assistance, and other programs that help them meet basic needs. (See Figure 1.) The Office of Management and Budget (OMB) has requested comments on updating the Census Bureau's poverty thresholds using an alternative, lower measure of inflation than the traditional Consumer Price Index (CPI). That change would lower the poverty line by growing amounts each year relative to the current approach. The Administration could move forward with its proposal any time after OMB's June 21 deadline for comments.

While the OMB notice does not discuss how the proposal would affect low-income families, the Census poverty thresholds are the basis for Department of Health and Human Services poverty guidelines, which determine who can get help from Medicaid, the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), and many other federal programs. The proposed change would lower the income-eligibility cutoffs for all of these programs, cutting or eliminating assistance for some individuals and families. This analysis focuses on the impact on health coverage and food assistance programs, but the change would also affect eligibility for more than a dozen other programs including Head Start, the Low Income Home Energy Assistance Program, and legal aid.¹

Proposal Would Cut Medicaid, Medicare, Premium Tax Credits

By the tenth year of indexing the poverty line using the "chained CPI" instead of the traditional Consumer Price Index, millions of people would lose eligibility for, or receive less help from, health

¹ "What programs use the poverty guidelines?" Department of Health and Human Services, <https://www.hhs.gov/answers/hhs-administrative/what-programs-use-the-poverty-guidelines/index.html>. In addition to its impact on low-income families, the proposed change would make poverty measurement less accurate; see Arloc Sherman and Paul N. Van de Water, "Reducing Cost-of-Living Adjustment Would Make Poverty Line a Less Accurate Measure of Basic Needs," Center on Budget and Policy Priorities, June 11, 2019, <https://www.cbpp.org/research/poverty-and-inequality/reducing-cost-of-living-adjustment-would-make-poverty-line-a-less>.

coverage programs. These widespread cuts would raise uninsured rates and worsen access to care, financial security, and health.² For example:

- More than 250,000 low-income seniors and people with disabilities would lose or receive less help from Medicare’s Part D Low-Income Subsidy Program, meaning they would pay higher premiums for drug coverage and/or pay more out of pocket for prescription drugs.
- More than 150,000 low-income seniors and people with disabilities would lose eligibility for a program that covers their Medicare Part B premium, meaning they would have to pay premiums of over \$1,500 per year to maintain Medicare coverage for physician and other outpatient care.
- More than 300,000 children would lose comprehensive coverage through Medicaid or the Children’s Health Insurance Program (CHIP), as would some pregnant women.
- More than 250,000 adults would lose coverage through the Affordable Care Act’s (ACA) Medicaid expansion, and some very low-income parents covered through Medicaid in states that haven’t adopted the expansion would lose coverage as well.
- Millions of ACA marketplace consumers would receive lower premium tax credits, meaning they would pay higher premiums, and more than 150,000 would get less help with cost sharing, meaning their deductibles would increase.

Proposal Would Cut Food Assistance, Primarily to Working Families

Adopting a slower-rising poverty line would also have a large and growing impact on food assistance for needy households. By the tenth year of indexing the poverty line using the chained CPI instead of the traditional Consumer Price Index, hundreds of thousands of people would lose eligibility for food assistance programs. For example:

- Nearly 200,000 people, mostly in working households, would lose SNAP benefits altogether.
- More than 100,000 school-age children would lose eligibility for free or reduced-price school meals altogether. In addition, more than 100,000 children would lose eligibility for free meals, though they could pay the reduced price.
- About 40,000 infants and young children would lose benefits through the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which provides healthy foods, nutrition counseling, breastfeeding support, and referrals to families.

² Aviva Aron-Dine and Matt Broaddus, “Poverty Line Proposal Would Cut Medicaid, Medicare, and Premium Tax Credits, Causing Millions to Lose or See Reduced Benefits Over Time,” Center on Budget and Policy Priorities, May 22, 2019, <https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicare-medicare-and-premium-tax>. As the paper explains, most of those losing coverage through Medicaid and CHIP would likely qualify for subsidized coverage through the ACA marketplaces, but a significant number would not, and even among those who would, the proposal would likely increase uninsured rates and worsen access to care, since marketplace plans come with higher premiums and cost sharing.

FIGURE 1

Trump Proposal to Lower Poverty Line Would Cut Eligibility or Benefits for Many Health, Nutrition, Other Basic Assistance Programs

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|---|--|---|---|
|  | Medicare prescription drug Low-Income Subsidy Program |  | Cost-sharing assistance for ACA marketplace coverage |
|  | Programs that help low-income people pay Medicare premiums |  | Supplemental Nutrition Assistance Program (SNAP) |
|  | Medicaid and CHIP coverage for children and pregnant women |  | School breakfast and school lunch programs |
|  | Medicaid coverage for adults, including ACA Medicaid expansion |  | Head Start comprehensive early education programs for low-income children |
|  | Medicaid coverage for family planning services |  | WIC nutrition program for low-income women, infants, and young children |
|  | Premium tax credits for ACA marketplace coverage |  | LIHEAP home energy assistance program for low-income households |

ACA = Affordable Care Act. CHIP = Children's Health Insurance Program

Appendix: Methodology for Estimates

Our estimates reflect the impact of updating the Census poverty thresholds using the chained CPI rather than the Consumer Price Index for all urban consumers (CPI-U) for ten years, starting with the 2018 thresholds (which will be finalized in 2019), based on the Congressional Budget Office's (CBO) economic projections.³ We adjust for changes in program enrollment, again using CBO projections. However, all of our estimates are based on the current income distribution of program enrollees relative to the poverty line, without taking into account how the income distribution may shift over the coming decade. In some cases, this limitation likely leads us to modestly overstate the impact of eligibility changes, but it should not change the qualitative conclusions.

Medicare enrollees. Our general approach is to use 2017 American Community Survey (ACS) data to estimate the share of Medicare enrollees with incomes between the current eligibility thresholds for various assistance programs and the lower thresholds that would result from updating the thresholds with the chained CPI for ten years. We apply these percentages to administrative tallies of the number of people enrolled in the relevant program and scale those estimates by CBO's projection of Part D Low-Income Subsidy (LIS) enrollment growth through 2029.

Specifically, to estimate the number of people losing eligibility for the Qualifying Individual (QI) program (which pays Medicare Part B premiums), we estimate the share of Medicare enrollees with incomes between 120 and 135 percent of the poverty line who fall into the income range that would lose eligibility. We apply that percentage to QI enrollment in 2013 (the most recent available) and scale based on projected LIS enrollment growth.

People losing eligibility for the QI program would also lose eligibility for the full LIS benefit. To estimate the number of additional people losing full LIS eligibility, we first estimate the number of people receiving full LIS benefits who are not enrolled in Medicaid. Based on Centers for Medicare & Medicaid Services (CMS) data on the number of dual-eligible beneficiaries versus the number of LIS full-benefit enrollees, more than 1 million people fell into this group in 2018. We estimate the share of Medicare enrollees with incomes below 135 percent of the poverty line who fall into the income range that would lose eligibility for the full LIS benefit, and apply that percentage to the number of full LIS beneficiaries not enrolled in Medicaid, and scale based on projected LIS enrollment growth.

Finally, to estimate the number of people losing eligibility for the partial LIS benefit, we estimate the share of Medicare enrollees with incomes between 135 and 150 percent of the poverty line who fall into the income range that would lose eligibility. We apply that percentage to 2018 partial LIS enrollment and scale based on projected LIS enrollment growth.

Medicaid and CHIP enrollees. To estimate the share of Medicaid expansion enrollees and child enrollees in Medicaid and CHIP who would lose coverage, we use 2017 ACS data to determine the share of Medicaid adult expansion enrollees and Medicaid and CHIP child enrollees with income between the current eligibility thresholds for those programs and the lower eligibility thresholds if the poverty line were to rise by chained CPI growth for ten years. For children, we account for state-

³ In Medicaid, including the Medicaid Savings Programs and the Medicare Low-Income Subsidy Program, the programmatic impact would be felt in 2029. For marketplace premium tax credits and cost-sharing assistance, the programmatic impact would be felt in 2030.

level differences in Medicaid/CHIP eligibility thresholds. We then apply these percentages to CBO projections of Medicaid expansion enrollment and Medicaid and CHIP child enrollment in 2029.

Marketplace enrollees. To estimate the number of people losing eligibility for cost-sharing assistance or premium tax credits, or receiving reduced cost-sharing assistance, we use 2019 CMS plan selections data, scaled (adjusted downward) based on CBO's projections for the number of subsidized marketplace enrollees in 2029.

Specifically, we use CMS data on the number of marketplace plan selections by people in different income groups (e.g., 100-150 percent or 150-200 percent of the poverty line) to estimate the number of people with income between the current eligibility thresholds for various forms of assistance and the lower eligibility thresholds that would result from the proposed change after ten years.⁴ For example, since the change would lower the income cutoff for cost-sharing assistance from 250 to 245 percent of the current poverty line, we estimate that the number of people in the income range losing eligibility would be one-twentieth of the total number of people with incomes between 200 and 300 percent of the poverty line.⁵ We also adjust these estimates for the share of consumers in each income group purchasing "silver" tier plans, since only those purchasing silver plans are eligible for cost-sharing assistance.

To estimate the number of consumers who would see immediate reductions in premium tax credits, we use CMS data on 2018 effectuated enrollment. Starting with the 8.9 million consumers receiving premium tax credits, we subtract the share of consumers who already have zero net premiums (and therefore might not be affected by a cut to their premium tax credits) and the share with incomes between 300 and 400 percent of the poverty line (since tax credits would not change for people in this income range).⁶

Supplemental Nutrition Assistance Program. We use fiscal year 2017 SNAP Quality Control data to estimate the share of SNAP households with incomes between the current gross income limit and the lower limit that would result from updating the threshold with the chained CPI for ten years. We apply these percentages to CBO's projections for SNAP enrollment in 2029. In the states that applied the federal gross income limit in 2017, the proposed rule would lower the gross and net income limits by 2 percent. This would eliminate eligibility among households with gross income between approximately 127 and 130 percent of the poverty line. In the remaining states that implemented broad-based categorical eligibility and set the gross income limit above 130 percent of poverty (but below 200 percent), the proposed rule would reduce the gross income limit by 2

⁴ These data are available from https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2019_Open_Enrollment.html.

⁵ Since CMS does not provide data on the number of people with incomes just above 400 percent of the poverty line, we are not able to apply this same approach to estimate the number of people losing eligibility for premium tax credits. But based on the number of plan selections by people with incomes between 300 and 400 percent of the poverty line and the dropoff in the number of consumers at higher income levels across the income distribution, it would be in the tens of thousands.

⁶ In the proposed Notice of Benefit and Payment Parameters for 2020, CMS reported that 17 percent of marketplace consumers have zero net premiums. We estimate the share with incomes between 300 and 400 percent of the poverty line based on the 2019 plan selections data.

percent. For example, for a state with a gross income limit of 200 percent of poverty, the proposal would lower it to 196 percent.

School meals. We generally use Census data to calculate the percentage of children receiving free or reduced-price school meals with income between the current eligibility limit and the limit that would apply if the poverty line were adjusted based on chained CPI growth. Because survey data tend to understate actual participation, we apply those percentages to a separate estimate, based on administrative data, of the total number of children who are approved (“certified”) for free or reduced-price school meals based on family income.

Specifically, we analyze Current Population Surveys (CPS) for March 2014 through March 2018 (the latest available years), averaging together five years of data to increase sample size and improve reliability. Using the survey question on the number of children in each household who received free or reduced-price lunches in the previous year, we find that 1.3 percent of such children have annual family income between 183 percent and 185 percent of the official poverty line (that is, just below the limit for reduced-price meals) and another 1.2 percent are between 128 percent and 130 percent of the poverty line (that is, just below the limit for free meals).

Using administrative data, we estimate that 10.9 million children were certified for free or reduced-price school meals based on household income in October 2016, which likely underestimates the actual number. In October 2018, 28.8 million children were certified to receive free or reduced-price meals, according to unpublished Department of Agriculture (USDA) administrative data. We removed two groups of children from that total to estimate the number of children certified based on household income:

- Some 8.2 million children were directly certified for free school meals because they participate in SNAP, according to USDA figures.⁷ Their eligibility for free school meals generally would not be affected by the proposed change to the poverty line.
- Another 9.7 million children attended schools during the 2016-2017 school year where all students received free meals under the program’s Community Eligibility Provision, according to an analysis by the Food Research and Action Center.⁸ While only a portion of these children are counted among those certified for free meals, existing data do not allow for a precise estimate. Thus, we removed all of them from the total number of children certified for free meals, which would tend to understate the number of children affected by the proposed change to the poverty line.

Subtracting 8.2 million directly certified children and 9.7 million children attending community eligibility schools from the total of 28.8 million children certified for free or reduced-price meals leaves 10.9 million children certified based on household income. To estimate the number of children who would lose eligibility for reduced-price meals, we multiply 1.3 percent by 10.9 million and round down to 100,000. To estimate the number losing free meals and having to pay the reduced price, we multiply 1.2 percent by 10.9 million and round down to 100,000.

⁷ See Table 2 in “Direct Certification in the National School Lunch Program,” USDA Food and Nutrition Service, October 2018, <https://fns-prod.azureedge.net/sites/default/files/resource-files/NSLPDirectCertification2016.pdf>.

⁸ See chart on p. 9 of “Community Eligibility: The Key to Hunger-Free Schools, School Year 2018-2019,” Food Research & Action Center, May 2019, <http://frac.org/wp-content/uploads/community-eligibility-key-to-hunger-free-schools-sy-2018-2019.pdf>.

The estimates are conservative due to data limitations. As explained above, our estimate that 10.9 million children are certified for free or reduced-price school meals based on household income is too low, so our calculations based on it underestimate the number of children who would be affected by the proposal. In addition, while our estimate omits children who qualify for school meals because their household receives SNAP or attends a community eligibility school, the proposed poverty line adjustment would almost certainly cause some of these children to lose eligibility for free or reduced-price school meals through these forms of eligibility, as well.

WIC. We use 2018 CPS data to determine, among infants and children under age 5 in households that receive WIC benefits and are under 185 percent of the poverty line, the share with income between 185 percent of poverty line (WIC's eligibility threshold) and the lower threshold if the poverty line were to rise by chained CPI growth for ten years. (We use CPS data because this survey, unlike the ACS, asks recipients whether they are enrolled in WIC.) We then apply this percentage to USDA's most recent WIC enrollment data among infants and children and inflate that figure by Census Bureau projections of the birth rate between 2020 and 2030.

In roughly half of the states, infants and children under age 5 who are enrolled in Medicaid may be adjunctively eligible for and enroll in WIC at higher income levels than 185 percent of the poverty line. The CPS sample size, though, is not adequate to allow us to account for these state-level eligibility differences. Thus, we do not account for adjunctive eligibility in our analysis, but instead assume that 185 percent of poverty is the eligibility threshold in every state for the purposes of determining the impact of the proposed poverty line change. Even in the states with Medicaid limits above 185 percent of poverty, some adjunctively eligible families would lose eligibility when they lose Medicaid eligibility, but because participation rates are lower at higher income levels, ignoring adjunctive eligibility likely leads us to slightly overstate the number losing WIC eligibility in those states. But the overstatement is likely quite small; USDA's WIC program data show that only about 2 percent of infants and children in WIC report incomes above 185 percent of poverty.

It is worth noting that because we look at only infants and children receiving WIC benefits, not women, in this way we underestimate the impact on WIC enrollment of the proposed poverty line change.