

Hearing Agenda

April 7, 2021 – Via Zoom

*Redefining Metropolitan Areas:
How It Could Affect Pennsylvania's Federal Funding*

10:00 AM

Call to Order and Welcome, Senator Gene Yaw

10:05 AM

Anthony Pipa, Brookings Senior Fellow, Global Economy and Development

Ronald Grutza, Senior Director of Regulatory Affairs and Assistant Director of Government Affairs, Pennsylvania State Association of Boroughs

Kim E. Wheeler, Executive Director of SEDA-Council of Governments

Written Comments from the Hospital and Healthsystem Association of Pennsylvania

10:35 AM

Question & Answer Session

11:00 AM

Closing Remarks and Adjournment, Senator Yaw

Testimony Before the Center for Rural Pennsylvania Board of Directors

Tony Pipa
Senior Fellow, Center for Sustainable Development
The Brookings Institution

Public Hearing on OMB's Proposed Change to Metropolitan Definition and Funding Implications for
Pennsylvania
April 7, 2021

Chair Yaw, Director Kopko, and members of the board of directors of the Center for Rural Pennsylvania, thank you for the invitation to present at this hearing.

I'm pleased to share some analysis and insights regarding the proposal by the Office of Management and Budget (OMB) to increase the population threshold for defining the core of a Metropolitan Statistical Area, better known as the MSA, from 50,000 to 100,000 people. As you know, the shift was recommended by a review committee of statistical experts from different agencies across the U.S. government.

The MSA designation is part of a framework developed by OMB based on the concept of "core-based statistical areas," or CBSAs. This scheme enables OMB to classify "metropolitan" and "nonmetropolitan" at the county level based on each county's proximity to a densely populated urban "core." In 2003, OMB created an additional designation within "nonmetro" by naming nonmetro areas with an urban core of 10,000-50,000 people as "micropolitans." The threshold for micropolitans would now be 10,000-100,000.

This is the first time a change has been suggested to the minimum population to qualify a metropolitan core since the MSA standards were first delineated in the 1950 census. The review committee's rationale for doubling the threshold is that the total U.S. population has roughly doubled since 1950, but it provides scant additional details.

OMB clearly states that the MSA standards are to be used for statistical purposes only, and that from their perspective, "nonmetro" is not meant to define "rural." However, contrary to OMB's guidance, many federal programs and policies rely on the MSA when determining funding, financial incentives, and targeting, and "nonmetro" is often used as proxy for "rural" by media, policymakers, and practitioners.

Based on 2010 census data,¹ across the country the change would drop 144 MSAs comprised of 258 counties from metro to nonmetro status, impacting just over 19 million people. Using the 2010 census data, ten counties in Pennsylvania would be impacted, tying it for fifth with Kentucky and Idaho for states with the most counties affected. However, Pennsylvania would have the most *people* impacted of any state, with almost 1.2 million people living in the counties that would be reclassified from metro to nonmetro.

Under the current standard, Pennsylvania's population is currently 11.5 percent nonmetro. Should the proposed change be adopted, that would change to 20.7 percent nonmetro.

¹The change in designation would not occur until 2023, so the actual shifts will be based on 2020 census population counts, which would likely change these numbers slightly.

Because I want to take OMB at its word, I'll start with some reflections on the statistical implications of the proposed change. Then I will follow with some insights on the potential funding implications.

There are three major statistical implications that I'd like to emphasize.

First, the proposed changes would, for the very first time, set the precedent that the metropolitan delineation is a relative – rather than absolute – measure. This means that the federal government would begin to “index” what it means to be metropolitan.

Yet the recommendation does this without providing any empirical formula or explanation for what will trigger future threshold increases, or any guidance on how future thresholds should be calculated. This risks future changes being inconsistent or influenced by political purposes.

Second, changing the threshold would create a break in the statistical time series. While this might not sound like much, for policy analysts and experts this would pose significant complications for longitudinal analysis and for tracking changes in the reality of rural communities over time.

Third, the population threshold is only one of several dimensions that comprise how the MSA is calculated. The delineation has been tweaked and changed in a piecemeal fashion throughout the past several decades. While an increase in urban population may be one consideration when reviewing it, it's important to consider how all the dimensions (such as commuting distance and density) fit together to reflect metropolitan and nonmetropolitan status, rather than just single out one component.

With regards to the funding implications, it is well known that despite OMB's insistence to the contrary, federal programs often use the MSA standards to set eligibility requirements, allocation formulas, scoring criteria, and several other dimensions of program administration.

First, it's important to recognize and emphasize that the impact of the proposed change on these programs has not been fully analyzed, nor is it well-understood. Previous federal attempts to evaluate the implications of changes to the MSA for program administration are woefully incomplete.

In 2004, the Government Accountability Office (GAO) did case studies on four federal programs to calculate the impact of changes to the 2000 MSA standards, listing more 30 other programs that could also be affected while acknowledging it was not an exhaustive list.

In 2014, when Congress asked the Congressional Research Service (CRS) to analyze the financial implications of MSA changes, the CRS tried to use natural language processing to identify the implicated federal programs. Ultimately it did not even provide a list of programs affected, let alone a financial analysis, responding instead that “The process [of identification] would entail a considerable, recurrent investment of resources, and even then, might yield incomplete results of limited utility.”

So no one knows just how widespread the MSA is implicated in federal funding. However, one can easily point to specific, potentially major, examples. The Department of Health and Human Services (HHS), for instance, uses the MSA classification to tier reimbursements for Medicare services, offering hospitals

higher reimbursement rates for inpatient operating costs in metro areas, while granting ambulances higher reimbursement rates in nonmetro areas.²

The Federal Housing Finance Agency also uses the MSA classification to inform its “Duty to Serve” program, which requires Fannie Mae and Freddie Mac (government-sponsored enterprises or GSEs) to facilitate a secondary market for mortgages in rural areas. Since “rural” in this context is defined by using the MSA, they could potentially meet their rural assistance targets through activity in larger newcomer towns, to the detriment of smaller, potentially less prosperous rural areas.

Second, for certain programs, remote rural areas with limited capacity may now have to compete with larger, better-resourced towns for the same pool of limited funding, to the chagrin of existing and newcomer nonmetros alike. This is a double whammy, with potentially negative consequences for the communities whose status would change, and negative consequences for current rural communities that are capacity-challenged.

With the proposed change, the average size of a nonmetro county in PA would increase by over 35%. This gives you a sense of just how big these possible new “non-metro” counties are. A much greater percentage of them are considered prosperous than the current non-metro counties in PA. While, for example, these larger, more prosperous communities may lose their entitlement status for programs such as HUD’s Community Development Block Grant program, which is something of great concern to them – at the same time, they are likely to be much more competitive in accessing other federal funds than the current set of non-metro counties, further crowding them out.

As the nation stands at the precipice of a major effort to recover from the economic and social impacts of the COVID-19 pandemic, my assessment is that the proposed change is potentially so significant, and the statistical and financial consequences too insufficiently understood, for OMB to make an informed decision. Now is not the time for arbitrary action that challenges perceptions of fairness and community identity.

This is the reason that I helped draft and joined a letter that ultimately counted over 450 rural institutions and experts asking OMB to set aside this recommendation, suggesting that instead it convene a process with external experts and stakeholders to review the MSA delineation in its totality. Rural experts, stakeholders, and practitioners must also be consulted at every step of the process. Too much is at stake—and unknown.

Thank you, and I look forward to the information provided by the other panelists and to your questions and comments.

² See 42 CFR § 412.64 and 42 CFR § 414.601-626

THE PENNSYLVANIA STATE ASSOCIATION OF BOROUGHS

Redefining Metropolitan Areas: How It Could Affect Pennsylvania's Federal Funding



Center for Rural Pennsylvania

Ronald J. Grutza, Senior Director of Regulatory Affairs

April 7, 2021

2941 North Front Street
Harrisburg, Pennsylvania 17110
(717) 236-9526 ext. 1044
e-mail: rgrutza@boroughs.org
www.boroughs.org

Good morning Chairman Yaw and members of the Board of Directors. My name is Ron Grutza and I serve as the Senior Director of Regulatory Affairs at the Pennsylvania State Association of Boroughs (PSAB). Thank you for the invitation to testify today before the Board to share our perspectives on the proposed change to the Metropolitan Statistical Area definition and how this change will impact federal funding for Pennsylvania.

PSAB is a statewide, non-partisan, non-profit organization dedicated to serving 956 borough governments and thousands of elected and appointed borough officials in Pennsylvania. Since 1911, PSAB has represented the interests of boroughs and helped to shape the laws that laid their foundation. With more than 2.6 million Pennsylvanians residing in borough communities, our members strive to deliver quality leadership and service to citizens across the Commonwealth.

On January 19, 2021, the Office of Management and Budget (OMB) issued a request for comments on a proposal to change the definition of Metropolitan Statistical Area (MSA). OMB is proposing to increase the threshold urban area population of MSAs from the current 50,000 to 100,000.

Currently, the US Census Bureau defines an urban area as a densely settled core of census tracts and/or census blocks that meet minimum population density requirements, along with adjacent territory containing non-residential urban land uses as well as territory with low population density included to link outlying densely settled territory with the densely settled core. To qualify as an urban area, the territory identified according to criteria must encompass at least 2,500 people, at least 1,500 of which reside outside institutional group quarters.¹ The US Census Bureau currently categorizes urban areas into either “urban areas” (50,000 or more) or “urban clusters” (2,500 up to 50,000). However, the US Census Bureau recently issued a proposal to change how they categorize urban areas to a more complex metric using housing density and population. This change will certainly leave many areas in our Commonwealth out of the urban category.

The proposed changes by OMB to the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas will have more of an impact on Pennsylvania communities than any other state. The proposed changes to raise the minimum population threshold for MSAs from 50,000 to 100,000 population will **impact nine MSAs in Pennsylvania**. Included in these MSAs are many of our boroughs that serve as strong anchor communities for commerce, culture, entertainment, and a great place to live.

PSAB is concerned the proposed changes will have a long-lasting impact to our Commonwealth. Contrary to the OMB notice in the Federal Register on January 19, 2021, these changes will go far beyond that of just statistical purposes. Many federal programs rely on the metropolitan designations for policy and funding. Programs such as community development, housing, transportation, Medicare reimbursements to hospitals, and mortgages could all be affected by this proposal.

Our main concern with the proposal is the negative effect on the Community Development Block Grant (CDBG) program administered by the Department of Housing & Urban Development (HUD). The CDBG Program provides annual grants on a formula basis to states, cities, and counties to develop

¹ US Census website, <https://www.census.gov/programs-surveys/geography/guidance/geo-areas/urban-rural/2010-urban-rural.html>

viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. Specifically, CDBG typically funds projects such as housing rehabilitation, community facilities, streets and sidewalks, critical infrastructure, and economic development. CDBG has been a successful program not only in Pennsylvania but across the nation.

Under Title 42 US Code, Chapter 69, the CDBG allocations from HUD are based directly on the OMB's designation of Metropolitan Statistical Areas. To qualify for the direct funding from HUD, a county or municipality must be in a Metropolitan Statistical Area. If these changes were to be made to raise the threshold for MSAs, some boroughs and small cities in Pennsylvania, including State College, Bloomsburg, Berwick, and Chambersburg, could lose their direct CDBG funding from HUD. Consequently, these boroughs would then fall back into the Commonwealth's allocation of CDBG funds, which could significantly decrease the borough's allocation. Additionally, a ripple effect could decrease the amount currently available to other entitlement communities under the Commonwealth's CDBG formula (Act 179 of 1984).

I have compiled examples of several boroughs' CDBG allocations from before and after receiving direct funding from HUD. As you can see from these examples, the percent change in funding was significant. We are concerned they will lose this direct funding because of OMB's change. The results could have a ripple effect in the community, especially in the lower income populations.

Related in a similar way to the CDBG formula, the American Rescue Plan utilized a modified CDBG entitlement formula for direct aid to counties and municipalities. That distribution of \$45 billion among entitlement municipalities will be much more significant than the non-entitlement \$19 billion allocation. For example, under the estimates provided by the US House Oversight Committee for the American Rescue Plan Local Fund Distribution, the City of Williamsport could receive almost \$25 million compared to a similar size non-entitlement community, Shaler Township in Allegheny County with \$2.7 million. If the OMB changes were in effect before the American Rescue Plan, millions of dollars would have been diverted from Pennsylvania to other municipalities around the nation.

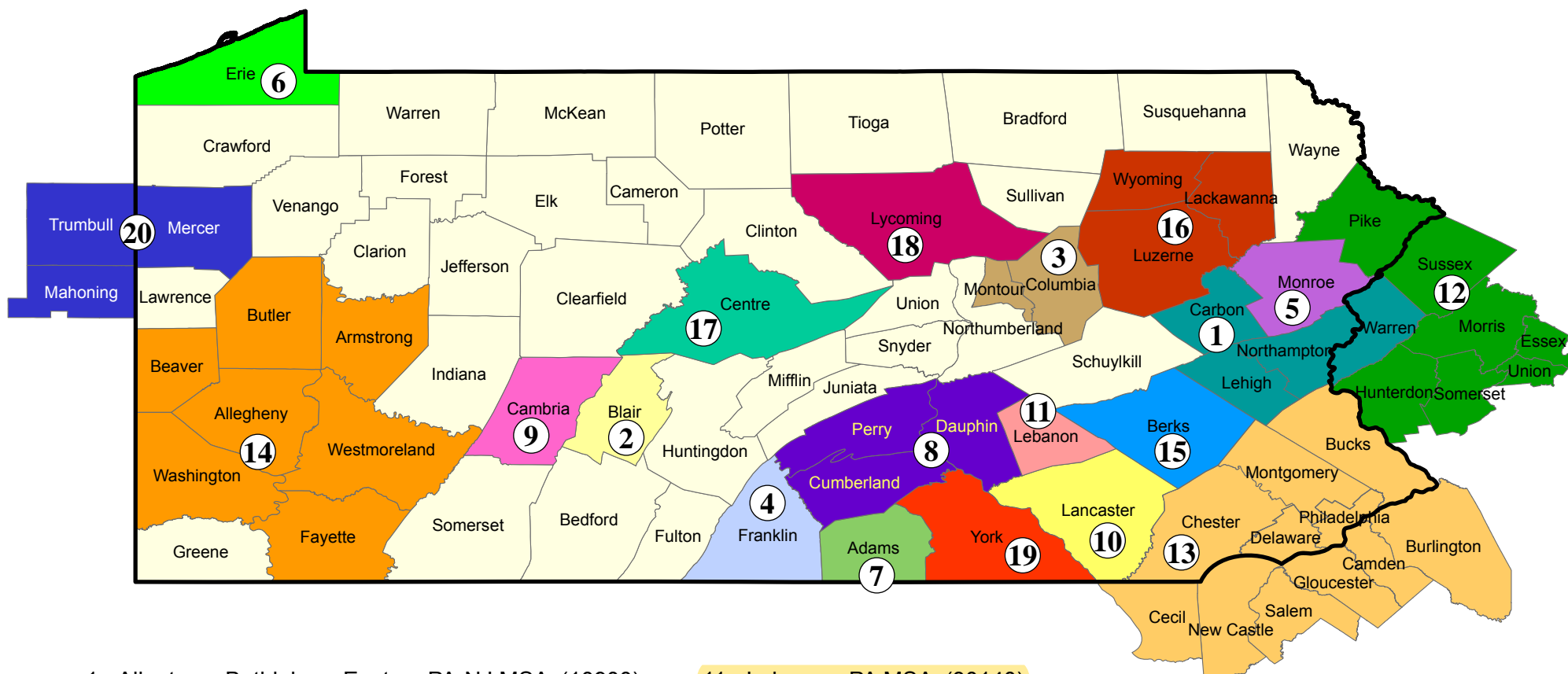
I would also like to bring to your attention the collection and use of the Occupational Employment Statistics (OES) which is administered by the PA Department of Labor and Industry. According to the Department's website, OES wage data is collected through a semi-annual outreach to approximately 8,000 randomly sampled Pennsylvania employers across a variety of industry sectors. Estimates from the OES program are used as a reference by educators, PA CareerLink® staff, career counselors, Workforce Development Boards, economic developers, program planners, and others. Employers may use this data to make critical business decisions such as setting wage rates, relocating, and investments.

Currently, the OES wage survey results are categorized by counties, Metropolitan Statistical Areas, and Workforce Development Areas. Will the loss of nine MSAs in Pennsylvania affect the quality of data employers rely on to make sound business decisions?

Thank you for your attention to this critical issue for our Commonwealth and its rural communities. PSAB stands ready to assist the Center as you continue the mission of promoting the vitality of Pennsylvania's rural and small communities. I will be happy to answer any questions you may have.

Municipality	Year	State CDBG Entitlement	Federal HUD Entitlement	% Increase under HUD				
Town of Bloomsburg	2010	\$216,096.00						
Town of Bloomsburg	2011	\$173,645.00						
Town of Bloomsburg	2012	\$161,204.00						
Town of Bloomsburg	2013	\$163,467.00						
Town of Bloomsburg	2014	\$168,139.00						
Town of Bloomsburg	2015	\$167,583.00						
Town of Bloomsburg	2016		\$241,797.00	44%	inc from the last year in state program			
Town of Bloomsburg	2017		\$237,837.00	42%	inc from the last year in state program			
Town of Bloomsburg	2018		\$265,616.00	58%	inc from the last year in state program			
Town of Bloomsburg	2019		\$256,394.00					
Town of Bloomsburg	2020		\$274,628.00					
Town of Bloomsburg	2021		\$257,730.00					
Berwick Borough	2010	\$194,608.00						
Berwick Borough	2011	\$157,649.00						
Berwick Borough	2012	\$123,430.00						
Berwick Borough	2013	\$130,027.00						
Berwick Borough	2014	\$133,322.00						
Berwick Borough	2015	\$132,929.00						
Berwick Borough	2016		\$297,314.00	124%	inc from the last year in state program			
Berwick Borough	2017		\$290,010.00	118%	inc from the last year in state program			
Berwick Borough	2018		\$316,050.00	138%	inc from the last year in state program			
Berwick Borough	2019		\$321,741.00	142%	inc from the last year in state program			
Berwick Borough	2020		\$329,414.00	148%	inc from the last year in state program			
Berwick Borough	2021		\$306,670.00	131%	inc from the last year in state program			

2010 MSA Configurations



- 1 - Allentown-Bethlehem-Easton, PA-NJ MSA (10900)
- 2 - Altoona, PA MSA (11020)
- 3 - Bloomsburg-Berwick, PA MSA (14100)
- 4 - Chambersburg-Waynesboro, PA MSA (16540)
- 5 - East Stroudsburg, PA MSA (20700)
- 6 - Erie, PA MSA (21500)
- 7 - Gettysburg, PA MSA (23900)
- 8 - Harrisburg-Carlisle, PA MSA (25420)
- 9 - Johnstown, PA MSA (27780)
- 10 - Lancaster, PA MSA (29540)

- 11 - Lebanon, PA MSA (30140)
- 12 - Newark, NJ-PA Metro Division (35084)
- 13* - Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA (37980)
- 14 - Pittsburgh, PA MSA (38300)
- 15 - Reading, PA MSA (39740)
- 16 - Scranton--Wilkes-Barre--Hazleton, PA MSA (42540)
- 17 - State College, PA MSA (44300)
- 18 - Williamsport, PA MSA (48700)
- 19 - York-Hanover, PA MSA (49620)
- 20 - Youngstown-Warren-Boardman, OH-PA MSA (49660)

* Includes Philadelphia Metro Division (PA Counties only) (37965)

**Center for Rural PA Hearing on Redefining Metropolitan Statistical Areas:
*How It Could Affect Pennsylvania's Federal Funding***

Written Testimony submitted by:

Kim Wheeler, AICP Executive Director of SEDA Council of Governments

April 7, 2021

On behalf of SEDA-Council of Governments (SEDA-COG) and the SEDA-COG MPO (Metropolitan Planning Organization), thank you for the opportunity to provide testimony regarding *How Redefining Metropolitan Statistical Areas Could Affect Pennsylvania's Federal Funding*.

Metropolitan planning organizations (MPOs) like the SEDA-COG MPO are designated by the U.S. Department of Transportation (USDOT) based on U.S. Census Bureau Urbanized Area population thresholds (currently at 50,000 persons).

The SEDA-COG region includes eleven counties that encompass all or portions of four Metropolitan Statistical Areas (MSA's), five Micropolitan Statistical Areas and a single county located Outside Core Based Statistical Areas (Juniata). Three of the nine MSA's in the Commonwealth that would be impacted, by the recommendation to increase the minimum urban area population to qualify as an MSA from 50,000 to 100,000 persons, fall within the SEDA-COG region: State College, Williamsport, and Bloomsburg-Berwick.

SEDA-COG has the unique perspective of being a regional rural-based agency that plans and implements projects that support a wide array of community and economic development objectives. SEDA-COG's designation as an MSA and MPO have impacted the region's ability to recruit and retain businesses and industry, capture state and federal funding, and allow Central PA to remain a viable and competitive economy.

SEDA-COG is not familiar with a method that exists for determining how a specific jurisdiction may be impacted by changes in MSA status. Likewise, there is not a straightforward procedure for calculating the exact amount of funding distributed through Federal programs that incorporate MSA designations. However, SEDA-COG is most concerned about the secondary impacts and unintended consequences of this potential definition change.

Potential impacts of MSA definitional change on transportation in the SEDA-COG region

The existing MSAs would be reclassified as micropolitan statistical areas. This change is likely to be interpreted by users (developers, investors, funders) as a change in either the region's activity, growth/potential growth, or significance. Consequences could include loss of investment, eligibility for funding, and regional competitiveness.

Secondary actions could be taken by the Census Bureau, the USDOT and FTA (Federal Transit Administration) to align designations and program eligibility with the recommended new OMB thresholds. Such actions could negatively impact the redefined MPO's ability to serve the needs of their regions in the future.

If the MSA redefinition affects the status of MPO's and results in a redesignation to Rural Planning Organizations (RPO's), the SEDA-COG MPO and eight other MPO's in the Commonwealth stand to lose engagement and investment in the PennDOT transportation planning and programming process as well as the critical funding that supports that process. PennDOT utilizes the MPO designation as part of its transportation planning agenda and funding allocation scenarios.

Economic opportunity that relies on transportation investments could be compromised if funding allocations and formulas are altered due to the MSA definition change and any subsequent urbanized area changes. The SEDA-COG region is host to significant businesses, industries, and facilities that demand high quality transportation systems.

Example: The main campus of Geisinger Health Systems is located in the SEDA-COG region. SEDA-COG's regional transportation network is responsible for accommodating and continuously upgrading the system that significant populations rely on in order to commute to/from this renowned facility. This medical center also helps spur additional business and industry in the region which also needs to be supported by adequate infrastructure and services.

The SEDA-COG MPO currently has adequate capacity and access to funds to ensure that issues related to congestion, local access management and new and improved interchanges are constantly monitored and addressed as needed. It is unclear what resources will remain for this critical work and implementation if MSA and/or MPO changes are made in the future that negatively affect the region's status.

Potential impacts of MSA definitional change on other federally funded programs in the SEDA-COG region

Communities and agencies in small metro areas rely heavily on critical services and resources provided through other federal agencies, such as community development funding from the U.S. Department Housing and Urban Development (HUD). HUD currently uses the MSA designation to determine program eligibility.

The SEDA-COG Community Development Department administers Community Development Block Grant (CDBG) funding on behalf of nine counties and six municipalities.

If an MSA definition change equates to a change in how direct entitlement communities are designated or how funding is allocated, this could have a significant negative impact on core communities in urbanized areas in the SEDA-COG region.

Example: After decades under the Commonwealth of Pennsylvania's CDBG program, the Town of Bloomsburg and Borough of Berwick transitioned to oversight by the US Department of Housing and Urban Development (HUD) in 2016. This transition was precipitated by the implementation of the 2010 Standards for Delineating Metropolitan Statistical Areas.

Through this transition to direct HUD oversight, the Town of Bloomsburg has seen its annual CDBG allocation nearly double (FFY 2020 allocation: \$274,628) while the Borough of Berwick has seen its annual CDBG allocation nearly triple (FFY 2020 allocation: \$329,414). This additional CDBG funding enabled the Town of Bloomsburg to leverage nearly \$16 million of additional funding to complete a flood mitigation system protecting roughly 150 homes, various employers at the community's main shopping plaza, the Town Fire Department, the Town Public Works Building, and the area middle and high schools. The Borough of Berwick has been able to implement a blighted properties demolition program. Eleven dilapidated structures have been demolished to date with the number anticipated to increase to nearly twenty by the end of 2021. These success stories would have had significantly different narratives had the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas not been implemented.

With an MSA definition change that increases the threshold from 50,000 to 100,000 residents, the Town of Bloomsburg and Borough of Berwick will transition back to grantees under the Commonwealth of Pennsylvania's CDBG program and will likely see their annual CDBG allocations reduced significantly and near pre-2016 levels.

Conclusions

SEDA-COG believes that although the overall population growth in the U.S. has doubled since the 1950 designations, that should not be the sole purpose for redefining the threshold for defining metropolitan areas and particularly by doubling the population threshold. Much stronger justification is needed before implementing the recommendation, particularly given the potential for secondary impacts, such as those described above.

The MSA change in population threshold will affect long-established data sets and funding allocation formulas developed by other state and federal agencies that are used for community planning, transportation planning and economic development purposes, by both public and private sectors.

The effects of wide-ranging program impacts and unintended economic messaging should be specifically acknowledged and considered by the OMB.



Leading for Better Health

Rural Classification—Implications for Medicare Reimbursement

Center for Rural Pennsylvania Legislative Hearing

The Hospital and Healthsystem Association of Pennsylvania

April 7, 2021

The Hospital and Healthsystem Association of Pennsylvania (HAP), on behalf of its members—more than 240 acute and specialty hospitals and health systems—appreciates the opportunity to provide context around the implications for Medicare reimbursement if recent recommendations under consideration by the Office of Management and Budget (OMB) were enacted.

On January 19, 2021, OMB requested public comment about recommendations it received from the Metropolitan and Micropolitan Statistical Area Standards Review Committee for changes to OMB's metropolitan and micropolitan statistical area standards. Under current policy, a metropolitan statistical area (MSA) must contain a Census Bureau-delineated urban area with a population of 50,000 or more, while a micropolitan statistical area must contain a Census Bureau-delineated urban area with a population of 10,000 to 49,999.

Among numerous recommendations, the Metropolitan and Micropolitan Statistical Area Standards Review Committee recommended increasing the minimum urban area population to qualify as a metropolitan statistical area from 50,000 to 100,000.

Pennsylvania appears to have nine core-based statistical areas (CBSA) that could be impacted by this change.

Numerous federal programs, including Medicare, rely on the MSA geographic designations in determining funding. Within Medicare, the MSA designations are significant in determining reimbursement. The Centers for Medicare & Medicaid Services states:

Section 1886(d)(3)(E) of the Social Security Act requires that, as part of the methodology for determining prospective payments to hospitals, the Secretary must adjust the standardized amounts "for area differences in hospital wage levels by a factor (established by the Secretary) reflecting the relative hospital wage level in the geographic area of the hospital compared to the national average hospital wage level." This adjustment factor is the wage index. We currently define hospital geographic areas (labor market areas) based on the definitions of Core-Based Statistical Areas (CBSAs) established by the Office of Management and Budget and announced in December 2003. The wage index also reflects the geographic reclassification of hospitals to another labor market area in accordance with sections 1886(d)(8)(B) and 1886(d)(10) of the Act.¹

¹ <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/wageindex#:~:text=A%20labor%20market%20area's%20wage,portion%20of%20the%20standardized%20amounts>



Leading for Better Health

Rural Classification—Implications for Medicare Reimbursement

April 7, 2021

Page 2

An analysis provided to HAP by DataGen estimates the impact of the OMB Metropolitan and Micropolitan Statistical Area Standards Review Committee recommendation to increase the minimum urban area population related to the Medicare wage index and other reimbursement affected within the various Medicare hospital prospective payment systems.

Preliminary analysis² shows that there could be 24 Pennsylvania hospitals impacted, of which 17 could see a negative impact. The total Pennsylvania impact is estimated to be an annual loss of \$43 million in Medicare reimbursement to hospitals.

This preliminary analysis represents assumptions based on current law and current data. There are several avenues by which hospitals reclassify into other labor markets impacting the wage index; those reclassifications have consequential impacts on hospitals' Medicare reimbursement across the region, state, and nation. There is no way to forecast or estimate the cascade of activity that could occur as a result of the proposed change to MSAs.

Also significant, the analysis is focused solely on how this change could impact Medicare hospital reimbursement. It does not reflect any other impacts to federal funding.

² Based on hospitals in CBSAs that have a population between 49,999 and 99,999 and are currently flagged to go from Urban to Rural if OMB changes the CBSA Delineation criteria (using the 2010 census).

The estimated impact is based on current data available. **Does not include any recalculation of wage indexes by CBSA or adjustments to the rural floor which directly impacts all providers.**