OMFS Update for Physician and Non-Physician Practitioner Services

Attachment to Administrative Director Order dated March 25, 2024

Explanation of Changes to Conversion Factors

(Effective April 1, 2024)

# Data Sources

**Congressional Legislation**

The following congressional legislation impacts calculation of the workers’ compensation conversion factors as set forth in the text below.

[Consolidated Appropriations Act, 2023 (HR 2617)](https://www.congress.gov/bill/117th-congress/house-bill/2617/text) Public Law 117-328.

[Consolidated Appropriations Act, 2024 (H.R. 4366)](https://www.congress.gov/bill/118th-congress/house-bill/4366/text?s=2&r=1&q=%7B%22search%22%3A%22h4366%22%7D) Public Law 118-42

# Revisions to title 8, California Code of Regulations Adopted by Update Order to Conform to Relevant Medicare Changes to the Conversion Factors

**Consolidated Appropriations Act, 2024 Conversion Factor Increase**

**Title 8 CCR §9789.19 (Update Table):** Subdivision (k) is revised to adopt, *inter alia*, updated conversion factors for services rendered on or after April 1, 2024, and to specify that the conversion factors adopted effective 2/15/2024 will continue to be effective for services rendered through March 31, 2024. The federal Consolidated Appropriations Act, 2024, adopted a revised multiplier for Medicare Physician Fee Schedule CY 2024 effective March 9, 2024 through December 31, 2024 to replace the multiplier previously specified for CY 2024 in the Consolidated Appropriations Act, 2023. For workers’ compensation the revised conversion factors will be effective for services rendered on or after April 1, 2024, at the same time as the Quarter Two updates. Because workers’ compensation is not a single payer system, and has multiple payers that must adjust their systems, the Administrative Director has determined that the conversion factor changes will be effective for services rendered on or after April 1, 2024.

**Conversion Factor for Services Other than Anesthesia**

The conversion factor for services other than anesthesia is increased from $47.72 to $48.51 for services rendered on or after April 1, 2024.

The Centers for Medicare and Medicaid Services (CMS) has announced revision to the Medicare Physician Fee Schedule to implement the provisions of the Consolidated Appropriations Act, 2024 (a federal budget act). CMS states:

“On March 9, 2024, President Biden signed the Consolidated Appropriations Act, 2024, which included a 2.93 percent update to the CY 2024 Physician Fee Schedule (PFS) Conversion Factor (CF) for dates of service March 9 through December 31, 2024. This replaces the 1.25 percent update provided by the Consolidated Appropriations Act, 2023, therefore the CY 2024 CF for dates of service January 1 through March 8, 2024 is $32.74. CMS has implemented the new legislation by adjusting the CY 2023 CF of $33.07 by 2.93 percent and the budget neutrality adjustment for a CY 2024 CF of $33.29 for dates of service March 9 through December 31.” [CMS website](https://www.cms.gov/medicare/payment/fee-schedules/physician), accessed 3/22/2024.

The Administrative Director is modifying the conversion factor using the CAA, 2024 revised multiplier for workers’ compensation services rendered on or after April 1, 2024. The factors utilized in the annual conversion factor update effective 2/15/2024 remain the same, except that a 2.93% multiplier is used in calculating the updated conversion factor instead of the original 1.25% multiplier, for services on or after 04/01/2024. (See Attachment to Administrative Director Order dated January 19, 2024, Explanation of Changes for details on the factors adopted pursuant to the CY 2024 Medicare Physician Fee Schedule Final Rule, CMS-1784-F.)

For California workers’ compensation, the calculation of the Other Services Conversion Factor for services effective on or after 04/01/2024 includes relevant adjustments to account for:

* Expiration of the one-year 2.5% increase that was set forth for Medicare CY 2023 in the Consolidated Appropriations Act, 2023
* Consolidated Appropriations Act, 2024 temporary 2.93% (1.0293) increase [which replaces the 1.25% (1.025) multiplier previously adopted by CAA, 2023 for CY 2024]
* CY 2024 RVU budget neutrality adjustment [-2.18 percent (0.9782)]
* CY 2024 Medicare Economic Index adjustment [4.6 percent increase (1.046)]

The workers’ compensation CY 2023 CF of $47.21, without the temporary 1-year 2.50 percent payment increase provided by the Consolidated Appropriations Act, 2023 was $46.06. (This is calculated as follows: $45.0954 (2022 CF without Protecting Medicare and American Farmers from Sequester Cuts Act 1-year 3% increase) \* 1.038 (2023 MEI) \* 0.9840 (2023 RVU Budget Neutrality Adjustment =$46.06.) (See the Explanation of Changes attached to the Administrative Director update order dated January 30, 2023, page 11, for Physician Fee Schedule 2023 Annual update.)

The workers’ compensation 2024 Conversion Factor (CF) for Services Other than Anesthesia as revised to adopt the fee increase set forth in the Consolidated Appropriations Act, 2024, is calculated as follows:

$46.06 (2023 CF without expired 1-year 2.5% increase) \* 1.046 (2024 MEI) \* 0.9782 (2024 RVU Budget Neutrality Adjustment) \* 1.0293 (CAA, 2024, revised temporary increase for 2024) = $ 48.5093

**Conversion Factor for Anesthesia**

The conversion factor for anesthesia services before adjustment by the Geographic Practice Cost Index (GPCI) for each locality is increased from $29.0948 to $29.5775 for services rendered on or after April 1, 2024.

The Centers for Medicare and Medicaid Services (CMS) has announced revision to the Medicare Physician Fee Schedule to implement the provisions of the Consolidated Appropriations Act, 2024 (a federal budget act). CMS states:

“On March 9, 2024, President Biden signed the Consolidated Appropriations Act, 2024, which included a 2.93 percent update to the CY 2024 Physician Fee Schedule (PFS) Conversion Factor (CF) for dates of service March 9 through December 31, 2024. This replaces the 1.25 percent update provided by the Consolidated Appropriations Act, 2023, therefore the CY 2024 CF for dates of service January 1 through March 8, 2024 is $32.74. CMS has implemented the new legislation by adjusting the CY 2023 CF of $33.07 by 2.93 percent and the budget neutrality adjustment for a CY 2024 CF of $33.29 for dates of service March 9 through December 31.”

The Administrative Director is modifying the conversion factor using the CAA, 2024 revised multiplier for workers’ compensation services rendered on or after April 1, 2024. The factors utilized in the conversion factor annual update effective 2/15/2024 remain the same, except that a 2.93% multiplier is used in the formula (instead of the original 1.25% multiplier) for services on or after 04/01/2024. (See Attachment to Administrative Director Order dated January 19, 2024, Explanation of Changes for details on the factors adopted pursuant to the CY 2024 Medicare Physician Fee Schedule Final Rule, CMS-1784-F.)

For workers’ compensation, the Anesthesia Services Conversion Factor (before Geographic Practice Cost Index adjustments) includes the relevant Medicare adjustments to account for:

* Expiration of the one-year 2.50% increase for 2023 that was set forth in the Consolidated Appropriations Act, 2023
* CY 2024 RVU budget neutrality adjustment [-2.18 percent (0.9782)]
* CY 2024 Medicare Economic Index adjustment [4.6 percent increase (1.046)]
* CY 2024 Anesthesia Fee Schedule Practice Expense and Malpractice Adjustment [0.11 percent (1.0011) increase]
* Consolidated Appropriations Act, 2024 temporary 2.93% (1.0293) increase [which replaces the 1.25% (1.025) multiplier previously adopted by CAA, 2023 for 2024]

The workers’ compensation CY 2023 anesthesia CF without the temporary one-year 2.50 percent payment increase provided by the Consolidated Appropriations Act, 2023 for CY 2023 was $28.0533. This is calculated as follows:

$27.4521 (2022 CF without PAMA 1-year 3% increase) \* 1.038 (CY 2023 MEI) \* 0.9840 (CY 2023 RVU Budget Neutrality Adjustment) \* 1.0005 (CY 2023 Anesthesia Fee Schedule Practice Expense and Malpractice Adjustment) = $28.0533

(See the Explanation of Changes attached to the Administrative Director update order dated January 30, 2023, page 14, for Physician Fee Schedule 2023 Annual update.)

The workers’ compensation 2024 Conversion Factor (CF) for Anesthesia Services (before Geographic Practice Cost Index adjustment) as revised to adopt the Consolidated Appropriations Act, 2024 multiplier is calculated as follows:

$28.0533 (2023 CF without CAA, 2023 one-year 2.50% increase) \* 1.046 (CY 2024 MEI) \* 0.9782 (CY 2024 RVU Budget Neutrality Adjustment) \* 1.0011 (CY 2024 Anesthesia Fee Schedule Practice Expense and Malpractice Adjustment) \* 1.0293 (CAA, 2024 revised temporary increase for 2024) = **$ 29.5775**.

The workers’ compensation base CF of $29.5775 is adjusted for each locality as set forth in Table A Effective for Services 04/01/2024.

**Title 8 CCR §9789.19.1 Table A Effective 04/01/2024 – GPCI-Adjusted Conversion Factors for Anesthesia**

The workers’ compensation base anesthesia CF of $29.5775 is adjusted for each California Medicare locality as set forth in Section 9789.19.1 Table A Effective for Services 04/01/2024.

The increased GPCI-adjusted conversion factors result from use of the CAA, 2024 2.93% multiplier in place of the 1.25% multiplier in the formula for the base conversion factor. The GPCIs for Physician Work, Practice Expense and Malpractice Expense are unchanged. The Anesthesia Shares for Physician Work, Practice Expense and Malpractice Expense are also unchanged.

End of Explanation of Changes