# OMFS Update for Hospital Outpatient

# and Ambulatory Surgical Center (ASC) Services

# (Effective February 15, 2024)

## 1. Data Sources

a. The Medicare 2024 update to the hospital outpatient prospective payment system was published on November 22, 2023 in the Federal Register (Vol. 88 FR 81540) and is entitled "Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems; Quality Reporting Programs; Payment for Intensive Outpatient Services in Hospital Outpatient Departments, Community Health Centers, Rural Health Clinics, Federally Qualified Health Centers, and Opioid Treatment Programs; Hospital Price Transparency; Changes to Community Health Centers Conditions of Participation, Changes to the Inpatient Prospective Payment System Medicare Code Editor; Rural Emergency Hospitals Conditions of Participation Technical Correction” (CMS-1786-FC; Final rule with comment period). The wage index values were published on August 28, 2023 in the Federal Register (Vol. 88 FR 58640) in the Final Rule entitled “Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Policy Changes and Fiscal Year 2024 Rates; Quality Programs and Medicare Promoting Interoperability Program Requirements for Eligible Hospitals and Critical Access Hospitals; Rural Emergency Hospital and Physician-Owned Hospital Requirements; and Provider and Supplier Disclosure of Ownership; and Medicare Disproportionate Share Hospital (DSH) Payments: Counting Certain Days Associated With Section 1115 Demonstrations in the Medicaid Fraction.” (CMS-1785-F; Final rule). A correction notice to the final rule was published on September 29, 2023 (Vol. 88 FR 68482, CMS-1785-CN; Correction Notice).

b. The CY 2024 [Hospital Outpatient Prospective Payment System Final Rule, CMS-1786-FC](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices), [FY 2024 IPPS Final Rule, and Correction Notice](https://www.cms.gov/medicare/payment/prospective-payment-systems/acute-inpatient-pps/fy-2024-ipps-final-rule-home-page) are available on the CMS’ web pages.

## 2. Title 8 CCR §9789.30:

a. For services rendered on or after February 15, 2024, the unadjusted conversion factor means the OMFS conversion factor for 2023 of $93.528. The “Adjusted Conversion Factor” is calculated as follows: $93.528 x the market basket inflation factor 1.033 x (0.40 + (0.6 x wage index).) See section 9789.39 for the conversion factor adjusted for market basket inflation factor and labor-related share by date of service.

b. For services rendered on or after February 15, 2024, "APC Payment Rate" means CMS' hospital outpatient prospective payment system rate for Calendar Year 2024 as set forth in the Federal Register on November 22, 2023 (CMS-1786-FC), Addendum B, which document is found on the CMS web site at: [Addendum A and Addendum B Updates | CMS](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/addendum-a-b-updates). See subdivision (b) of section 9789.39 for the APC payment rate referenced in Addendum B-updated 12/21/23 by date of service.

c. For services rendered on or after February 15, 2024, "APC Relative Weight" means CMS' APC relative weight as set forth in the Federal Register on November 22, 2023 (CMS-1786-FC), [Addendum B](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Addendum-A-and-Addendum-B-Updates)-updated 12/21/2023, which document is found on the CMS web site at: [Addendum A and Addendum B Updates | CMS](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/addendum-a-b-updates). See subdivision (b) of section 9789.39 for the APC relative weight referenced in Addendum B-updated 12/21/2023 by date of service.

d. For services rendered on or after February 15, 2024, "Market Basket Inflation Factor" means 3.3%, the market basket percentage increase determined by CMS for 2024. See subdivision (b) of section 9789.39 for the Federal Register reference to the market basket inflation factor by date of service. (CY 2024 Final Rule, 88 Federal Register at 81543)

e. For services rendered on or after February 15, 2024, "Wage Index" means CMS' wage index for urban, rural and hospitals that are reclassified as described in CMS' 2024 Hospital Outpatient Prospective Payment System (OPPS) final rule of November 22, 2023 (CMS-1786-FC). The wage index values are specified in the Hospital Inpatient Prospective Payment Systems final rule of August 28, 2023 (CMS-1785-F), and correction notice to the final rule of October 4, 2023 (CMS-1785-CN), [Table 2](https://www.cms.gov/medicare/payment/prospective-payment-systems/acute-inpatient-pps/fy-2024-ipps-final-rule-home-page), which documents are found on the CMS web site at: [FY 2024 IPPS Final Rule Home Page | CMS](https://www.cms.gov/medicare/payment/prospective-payment-systems/acute-inpatient-pps/fy-2024-ipps-final-rule-home-page) See section 9789.39 for the reference that contains description of the wage index and wage index values by date of service.

## 3. Title 8 CCR §9789.31:

For services rendered on or after February 15, 2024, the following are incorporated by reference:

a. The Centers for Medicare and Medicaid Services (CMS) 2024 Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems addenda (or specified portion of addenda) as adopted for the Calendar Year 2024, published in the Federal Register on November 22, 2023 (CMS-1786-FC). See [CMS-1786-FC | CMS](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices) and [FY 2024 IPPS Final Rule Home Page | CMS.](https://www.cms.gov/medicare/payment/prospective-payment-systems/acute-inpatient-pps/fy-2024-ipps-final-rule-home-page) The payment systems addenda adopted and incorporated by reference includes:

1) CMS OPPS [Addendum A –updated 12/26/2023](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/addendum-a-b-updates) — OPPS APCs for CY 2024 (January\_Web\_2024\_Addendum.A.012262023.xlsx)

2) CMS ASC [Addendum AA – updated 12/27/2023](https://www.cms.gov/medicare/payment/prospective-payment-systems/ambulatory-surgical-center-asc/asc-payment-rates-addenda) – (January\_2024\_ASC\_Addenda.12272023.xlsx), Column A (entitled “HCPCS Code”)

3) CMS OPPS [Addendum B – updated 12/21/2023](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/addendum-a-b-updates) — OPPS Payment by HCPCS Codes for CY 2024 (January\_2024\_Addendum\_B.12212023a.xlsx)

4) CMS OPPS [Addendum D1](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1786-fc) –OPPS Payment Status Indicators for CY 2024 (2024 NFRM Addendum D1.11012023.xlsx)

5) CMS OPPS [Addendum D2](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1786-fc) — OPPS Comment Indicators for CY 2024 (2024 NFRM Addendum D2.11012023.xlsm)

6) CMS OPPS [Addendum E](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1786-fc) — HCPCS Codes that Would Be Paid Only as Inpatient Procedure for CY2024 (2024 NFRM Addendum E.11012023.xlsx)

7) CMS ASC [Addendum EE](https://www.cms.gov/medicare/payment/prospective-payment-systems/ambulatory-surgical-center-asc/asc-payment-rates-addenda)- updated 12/27/2023 (January\_2024\_ASC\_Addenda.12272023.xlsx), Column A (entitled “HCPCS Code”)

8) CMS OPPS [Addendum J](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1786-fc) — Comprehensive APCs (2024 NFRM Addendum J.11012023.xlsx)

9) CMS OPPS [Addendum L](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1786-fc) — Out-Migration Adjustment for CY 2024 (2024 NFRM Addendum L.11012023.xlsx)

10)CMS OPPS [Addendum M](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1786-fc) — HCPCS Codes for Assignment to OPPS Composite APCs for CY 2024 (2024 NFRM Addendum M.11012023.xlsx)

11)CMS OPPS [Addendum P](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1786-fc) — Device-Intensive Procedures for CY 2024 (2024 NFRM Addendum P.11012023.xlsx)

b. The American Medical Association’s Physician “*Current Procedural Terminology,*” 2024.

c. The CMS’ 2024 Alphanumeric *“Healthcare Common Procedure Coding System* (HCPCS).”

d. The Centers for Medicare and Medicaid Services’ (CMS) Hospital Inpatient Prospective Payment Systems final rule of August 28, 2023 (CMS-1785-F), and correction notice of October 4, 2023 (CMS-1785-CN), which are found on the CMS web site at: [FY 2024 IPPS Final Rule Home Page | CMS](https://www.cms.gov/medicare/payment/prospective-payment-systems/acute-inpatient-pps/fy-2024-ipps-final-rule-home-page).

e. The Centers for Medicare and Medicaid Services’ (CMS) [Claims Processing Manual](https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS018912), Chapter 4, sections 10.2.1, 10.2.2, 10.2.3, 10.4, 10.4.1, 290.5.2, and 290.5.3. These sections provide payment rules for codes assigned status indicator “Q1,” “Q2,” “Q3,” “Q4,” “J1,” or “J2” and payment reduction rules for film X-ray services and X-rays taken using computed radiography technology/cassette-based imaging.

f. The Centers for Medicare and Medicaid Services’ (CMS) [Integrated Outpatient Code Editor (I/OCE)](https://www.cms.gov/medicare/coding-billing/outpatient-code-editor-oce/quarterly-release-files) CMS Specifications V250.R0 (effective 01/01/2024), sections 6.4.1, 6.4.3, 6.4.5, 6.5, 6.6.1, 6.6.1.1, 6.6.2, 6.6.3, 6.6.4, 6.6.4.1, and 6.6.4.2. These sections provide payment rules for codes assigned status indicator “Q1,” “Q2,” “Q3,” “Q4,” “J1,” or “J2.”

## 4. Conversion Factor Calculation

a. L.C. 5307.1(g)(1)(A)(i) provides that the annual inflation adjustment for outpatient hospital facility fees shall be determined solely by the estimated increase in the hospital market basket. Thus, the Medicare 2024 hospital market basket rate of 3.3% is utilized in calculating the updated OMFS amounts. See Medicare Hospital Outpatient Prospective Payment System Final Rule (CMS-1786-FC; 88 FR 81540 at 81543.)

b. OMFS conversion factor for hospital outpatient services

1) The 2023 unadjusted conversion factor was $93.528. The estimated increase in the market basket is 3.3%. The revised conversion factor under the OMFS, updated for inflation, but prior to application of wage index, is $96.614 ($93.528 x 1.033).

## 5. Wage Index and Adjusted Conversion Factors:

The Division made the following revisions:

a. Section 9789.34 Table A sets forth the wage index values and adjusted conversion factors that are applicable to ASCs and non-listed hospitals. These conversion factors would be applicable to hospitals that are covered by the HOPD fee schedule but are not in Table B (section 9789.35).

b. Section 9789.35 Table B sets forth hospital-specific wage index values and adjusted conversion factors for listed hospitals. Table B reflects the additional 7.1% payment adjustment for services rendered by rural sole community hospitals and Essential Access Community Hospitals (EACHs.) See [Medicare Hospital Outpatient Prospective Payment System Final Rule (CMS-1786-FC; 88 FR 81540 at 81586.)](https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1786-fc)