OMFS Update for Physician and Non-Physician Practitioner Services
Explanation of Changes
(Effective March 1, 2017)

1. Data Sources

The Medicare CY 2017 update to the Medicare physician fee schedule was placed on display on November 2, 2016 and was published in the Federal Register on November 15, 2016 (81 Fed. Reg. 80170). It is entitled "Medicare Program; Revisions to Payment Policies Under the Physician Fee Schedule and Other Revisions to Part B for CY 2017; Medicare Advantage Bid Pricing Data Release; Medicare Advantage and Part D Medical Loss Ratio Data Release; Medicare Advantage Provider Network Requirements; Expansion of Medicare Diabetes Prevention Program Model; Medicare Shared Savings Program Requirements" (CMS-1654-F). Hereafter, the final rule will be referenced as "CY 2017 Medicare Physician Fee Schedule Final Rule, CMS-1654-F."

A correction notice was placed on display on December 28, 2016 and was published in the Federal Register on December 29, 2016 (81 Fed. Reg. 95890). It is entitled "Medicare Program; Revisions to Payment Policies Under the Physician Fee Schedule and Other Revisions to Part B for CY 2017; Medicare Advantage Bid Pricing Data Release; Medicare Advantage and Part D Medical Loss Ratio Data Release; Medicare Advantage Provider Network Requirements; Expansion of Medicare Diabetes Prevention Program Model; Medicare Shared Savings Program Requirements; Corrections" (CMS-1654-CN3). Hereafter, the correction notice to the final rule will be referenced as "Corrections to the Final Rule, CMS-1654-CN3."

The Federal Register documents and supporting download files are available at: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/PFS-Federal-Regulation-Notices.html?DLSort=2&DLEntries=10&DLPage=1&DLSortDir=descending

2. Revisions Adopted by Update Order to Conform to Medicare

Place of Service
Title 8 CCR §9789.12.2(d): A new POS 02 (Telehealth) is added to conform to CMS Place of Service Codes.

Radiology Diagnostic Imaging Multiple Procedures (MPPR)
Title 8 CCR §9789.17.1(a)(2): This subdivision is amended to reflect CMS' revision to the MPPR of the Professional Component of the second and subsequent procedures from 25 percent to 5 percent of the physician fee schedule amount. The MPPR on the Technical Component of imaging remains at 50 percent.

Modifier "FX" (X-ray taken using film)
Title 8 CCR §9789.17.3: This subdivision is added to reflect CMS' adoption of modifier "FX" (X-ray taken using film). Effective March 1, 2017, claims for X-rays using film must include Modifier FX, which will result in a payment reduction by 20 percent of a Technical Component–only service and reduction by 20 percent of the Technical Component of a global service. For services subject to both the MPPR and the FX modifier reduction on imaging, the FX modifier reduction should be applied before the MPPR for radiology diagnostic imaging procedures.

Moderate Sedation Codes 99143-99145 and 99148-99150
Title 8 §9789.18.12: This subdivision is amended to reflect the changes to CPT codes for moderate sedation that are now reported and paid separately when moderate sedation services are furnished. CPT codes 99143-99145 and 99148-99150 and Appendix G were eliminated by the CPT. CMS has established valuations for the new moderate sedation CPT codes and revaluation of certain procedural services previously identified in Appendix G.

Update Table
Title 8 CCR §9789.19: A new subdivision (d) is added, adopting updates for services rendered on or after March 1, 2017, to conform to Medicare changes, as follows:

Adjustment Factors	Updated for 2017, to include the relevant 2017 Medicare adjustment factors: From CY 2017 Medicare Physician Fee Schedule Final Rule, CMS-1654-F and Corrections to the Final Rule, CMS-1654-CN3: 2017 Relative Value Unit budget neutrality adjustment factor: 0.99987 [Tables 50 & corrected 51] 2017 Imaging MPPR adjustment factor: 0.9993 [Table 50 & 51] 2017 Annual increase in the MEI: 1.012 [81 Fed. Reg. 80201] The 2016 cumulative adjustment factor for all services other than anesthesia was 1.0812 and 1.0317 for anesthesia. [8 CCR §9789.19(c)]

	The 2017 cumulative adjustment factor for all services other than anesthesia is 1.0933 and 1.0433 for anesthesia. [See detailed explanation set forth below this table.]
Anesthesia Base Units by CPT Code	CMS indicates that "The anesthesia base units are unchanged for 2017"; therefore the "2014anesBASEfin" file is retained.
California-Specific Codes	The maximum fee for each of these codes has been updated by the MEI 1.2% increase (1.012) pursuant to section 9789.12.14.
CCI Edits: Medically Unlikely Edits	Updated to 2017.
CCI Edits: National Correct Coding Initiative Policy Manual for Medicare Services	Updated to the CMS' 2017 annual manual.
CCI Edits: Physician CCI Edits (Practitioner PTP Edits)	Updated to 2017.
CMS' Medicare National Physician Fee Schedule Relative Value File [Zip]	Updated to the CMS' 2017 RVUA.
Conversion Factors adjusted for MEI and Relative Value Scale adjustment factor	Updated the unadjusted transition conversion factors set forth in 8 CCR §9789.12.5(b)(2) with Medicare 2017 adjustments pursuant to subdivision §9789.12.5 (b)(3). The 2017 Adjusted Conversion Factors are the Conversion Factors used to determine the maximum fees. [See detailed explanation set forth below this table.]
Current Procedural Terminology (CPT®)	Updated to CPT® 2017.
Current Procedural Terminology CPT codes that shall not be used	The list is unchanged from 2016.
Diagnostic Cardiovascular Procedure CPT codes subject to the MPPR	Updated to 2017.

Diagnostic Imaging Family Indicator Description	Unchanged.
Diagnostic Imaging Family Procedures Subject to the MPPR	Updated to 2017.
Diagnostic Imaging Multiple Procedures Subject to the MPPR	Updated to 2017.
DWC Pharmaceutical Fee Schedule	Sets forth reference to DWC pharmaceutical fee schedule web page, which is unchanged from 2016.
Health Professional Shortage Area zip code data files	Updated to 2017 files for the Primary Care HPSA and the Mental Health HPSA.
Health Resources and Services Administration: HPSA shortage area query	Sets forth reference to the HRSA HPSA shortage web page query by state/county and by address; website references are unchanged from 2016.
Incident To Codes	Updated to 2017.
Medi-Cal Rates – DHCS	Updated to the 02/15/2017 rates for "physician-administered drugs, biologicals, vaccines or blood products," which will continue to be in effect on March 1, 2017. [The 02/15/2017 Medi-Cal rates file will be available on approximately February 16, 2017.] The Medi-Cal rates file will be updated monthly by Administrative Director's posting order. Medi-Cal rates are updated as of the 15th of each month, posted to the Medi-Cal website on the 16th of each month, and posted to the DWC website as soon as feasible.
Ophthalmology Procedure CPT codes subject to the MPPR	Updated to 2017.
Physical Therapy Multiple Procedure Payment Reduction: "Always Therapy" Codes; and Acupuncture and Chiropractic Codes	Updated to 2017 Medicare list of "Always Therapy Codes". In addition, retain the acupuncture codes and chiropractic manipulation codes, which are unchanged

	from 2016.
Physician Time	Updated to 2017
Statewide GAFs (Other than anesthesia)	The statewide GAFs were updated to reflect the transition to payment localities based on Metropolitan Statistical Areas and 2014 WCIS data. Average Statewide Work GAF: 1.0417 Average Statewide Practice Expense GAF: 1.1632 Average Statewide Malpractice Expense GAF: 0.6632 [See detailed explanation set forth below this table.]
Statewide GAF (Anesthesia)	The statewide GAF was updated to reflect the transition to payment localities based on Metropolitan Statistical Areas and 2014 WCIS data. Average Statewide Anesthesia GAF: 1.0374 [See detailed explanation set forth below this table.]
Splints and Casting Supplies	Sets forth reference to the Durable Medical Equipment, Prosthetics, Orthotics, Supplies fee schedule applicable to the date of service, reference is unchanged from 2016.
The 1995 Documentation Guidelines for Evaluation & Management Services	Sets forth reference to the 1995 Documentation Guidelines web page, which is unchanged from 2016.
The 1997 Documentation Guidelines for Evaluation and Management Services	Sets forth reference to the 1997 Documentation Guidelines web page, which is unchanged from 2016.

Adjustment Factors – Updating the Conversion Factors and Statewide Geographic Adjustment Factors (GAFs)

a. The 2017 annual increase in the Medicare Economic Index (MEI) is 1.2%. (CY 2017 Medicare Physician Fee Schedule Final Rule, CMS-1654-F (81 Fed. Reg. 80201.)) The MEI is an input price index that accounts for annual changes in the various resources involved in providing physician services.

b. The 2017 Relative Value Scale (RVS) adjustment factors:
   1) The RVS adjustment factor for all services other than anesthesia for 2017 is the product of the Medicare 2017 RVU budget neutrality factor (0.99987), and the 2017 imaging MPPR adjustment factor (0.9993). (CY 2017 Medicare Physician Fee Schedule Final Rule, CMS-1654-F, Table 50). The RVS adjustment factor for all services other than anesthesia is (0.99987 x 0.9993), which equals to 0.9992.
   2) The RVS adjustment factor for anesthesia for 2017 is the product of the Medicare 2017 RVU budget neutrality factor (0.99987), and the 2017 imaging MPPR adjustment factor (0.9993). (CY 2017 Medicare Physician Fee Schedule Final Rule, CMS-1654-F, Tables 51; and correction to Table 51 in Corrections to the Final Rule, CMS-1654-CN3.) The RVS adjustment factor for anesthesia is (0.99987 x 0.9993), which equals to 0.9992.
   3) The "Update Factor" of 0.50 percent and the CY 2017 Target Recapture Amount of -0.18 percent in Table 50 and Table 51 of CY 2017 Medicare Physician Fee Schedule Final Rule, CMS-1654-F are not applicable because Labor Code §5307.1(g)(1)(A)(iii) specifies that the physician fee schedule updates are to be based upon the Medicare Economic Index and the relative value scale adjustment factors.

c. The cumulative adjustment factors applicable to the conversion factors (CFs) between 2012 and 2017 are shown in Column E of Table 1 and are the products of the MEI and RVS adjustment factors for 2016 and 2017.
   1) The 2016 cumulative adjustment factor for all services other than anesthesia is 1.0812.
      The 2017 annual adjustment factor is 1.012 x 0.99987 x 0.9993 = 0.01116.
      The 2017 cumulative adjustment factor is 1.0812 x 1.01116 = 1.0933.
   2) The 2016 cumulative adjustment factor for anesthesia is 1.0317.
      The 2017 annual adjustment factor is 1.012 x 0.99987 x 0.9993 = 0.01116.
      The 2017 cumulative adjustment factor is 1.0317 x 1.01116 = 1.0433.

Table 1* Derivation of the Cumulative Adjustment Factors Applied to the Unadjusted 2017 CFs set forth in §9789.12.5(b)(2)

Type of Service	2016 Cumulative Adjustment Factor	2017 Adjustment Factors			2017 Cumulative Adjustment Factor
	(A)	(B) MEI	(C) RVS BN	(D) Total Annual Adjust. Factor (B) x (C)	(E) (A) x (D)
Anesthesia	1.0317	1.012	0.9992 (0.99987 x 0.9993)	1.01116	1.0433
All services other than anesthesia	1.0812	1.012	0.9992 (0.99987 x 0.9993)	1.01116	1.0933

*Due to rounding, the numbers presented in the table may not precisely reflect the underlying calculations.

d. The unadjusted 2017 CFs are set forth in §9789.12.5(b)(2) and are "120 percent of the Medicare 2012 CF". The 2017 CFs adjusted for the cumulative change in the MEI and RVS adjustment factors are shown in Table 2.

Table 2* 2017 Unadjusted CFs, Cumulative Adjustment Factors and 2017 Adjusted CFs

Type of Service	Unadjusted 2017 CF	Cumulative Adjustment Factor (from Table 1 Column E)	2017 Adjusted CF
	(A)	(B)	(C) (A) x (B)
Anesthesia	25.6896	1.0433	26.8011
All services other than anesthesia	40.8451	1.0933	44.6572

*Due to rounding, the numbers presented in the table may not precisely reflect the underlying calculations.

e. *Statewide Average GAFs* - The Division has evaluated the need to update the statewide geographic adjustment factors (GAFs) based on the CMS' 2017 California locality-specific geographic practice cost indices (GCPIs) and 2014 WCIS data. The statewide GAFs are an average of the locality-specific GPCIs for each cost component weighted by each locality's estimated share of RVUs for the applicable cost component. The weighting results in statewide values that are estimated to be budget neutral to the allowances that would result from using locality-specific GPCI values.

Beginning in 2017, pursuant to the Protecting Access to Medicare Act (PAMA), California payment localities transitioned to Metropolitan Statistical Areas, to be phased in over a 6-year period. The number of payment localities increase from 9

under the previous locality structure to 27 under the MSA-based locality structure.

However, both the current localities and the MSA-based localities are comprised of various component counties, and in some localities only some of the component counties are subject to the blended phase-in and hold harmless provisions required by the Act. Although the modifications to California's locality structure increase the number of localities from 9 under the current locality structure, to 27 under the MSA-based locality structure, for purposes of payment, the actual number of localities under the MSA-based locality structure would be 32 to account for instances where unique locality numbers are needed. Additionally, for some of these new localities, PAMA requires that the geographic practice cost index GPCI values that would be realized under the new MSA-based locality structure are gradually phased in (in one-sixth increments) over a period of 6 years. For California workers' compensation, the Statewide GAFs were calculated based on the 32 localities and 2014 WCIS data.

The adjusted average statewide GAFs for services other than anesthesia are:

Average Statewide Work GAF: 1.0417
Average Statewide Practice Expense GAF: 1.1632
Average Statewide Malpractice Expense GAF: 0.6632

The average statewide anesthesia GAF is a weighted average of the locality-specific anesthesia GAF calculated using the CMS' 2017 anesthesia cost shares available at: http://www.cms.gov/Center/Provider-Type/Anesthesiologists-Center.html. The three anesthesia cost shares are contained in the folder "2017-Anesthesia-Conversion-Factors [ZIP. 19KB]" in the excel document "CY 2017 FR Locality Adjusted Anesthesia CF 103116" in the "Anesthesia Shares" excel sheet. These cost shares are:

2017 Anesthesia Cost Shares	
Work	0.786
PE	0.152
MP	0.062

The weighting factor is each locality's estimated share of allowances for anesthesia services. The calculated 2017 Average Statewide Anesthesia GAF is: 1.0374.