

**OMFS Update for Outpatient Hospital and Ambulatory Surgical Center (ASC)
Services
(Effective July 15, 2005)**

1. Data Sources

- a. The Medicare 2005 update to the outpatient prospective payment system was published on November 15, 2004 in the Federal Register (Vol. 69 FR 65681-66234) and is entitled "Medicare Program; Changes to the Hospital Outpatient Prospective Payment Systems and Calendar Year 2005 Rates; Final Rule" (CMS-1427-FC). The wage indices needed to determine the conversion factors were not published as part of the rule because of corrections underway in the hospital wage index. A correction notice was published on December 30, 2004 at the Federal Register (Vol. 69 FR 78315-78335) entitled: "Medicare Program; Changes to the Hospital Outpatient Prospective Payment System and Calendar Year 2005 Payment Rates; Wage Index Tables and Corrections" (CMS-1427-CN). The wage index values were published on the same date in a separate notice (Vol.69 FR 78526-78717) entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2005 Rates; Correcting Amendment; Final Rule (CMS-1428-F2).
- b. The Federal Register documents are available at www.cms.hhs.gov/providers/hoppps and <http://www.cms.hhs.gov/providers/hipps> The corrected wage index values are available in a PDF file at <http://www.cms.hhs.gov/providers/hipps/ippswage.asp>.
- c. Title 8 CCR §9789.31 is amended to incorporate by reference the following:
 1. The Centers for Medicare and Medicaid Services' (CMS) 2005 Hospital Outpatient Prospective Payment System (HOPPS), for the Calendar Year 2005, was published in the Federal Register on November 15, 2004 Volume 69, No. 219, Addenda A through E, pages 65864 through 66233 (CMS-1427-FC), including revisions and corrections as of July 15, 2005. See <http://www.cms.hhs.gov/providers/hoppps/> The payment system includes:
 - i. Addendum A "List of Ambulatory Payment Classifications (APCs) with Status Indicators, Relative Weights, Payment Rates, and Copayment Amounts Calendar Year 2005." As revised March 30, 2005.

ii. Addendum B “Payment Status by HCPCS Code and Related Information Calendar Year 2005.” As revised March 30, 2005.

iii. Addendum D1 “Payment Status Indicators for Hospital Outpatient Prospective Payment System.”

iv. Addendum D2 “Comment Indicators.”

v. Addendum E “CPT Codes That Are Paid Only As Inpatient Procedures.”

2. The American Medical Association’s Physician “*Current Procedural Terminology*,” has published the 2005 Edition.

3. The CMS’ 2005 Alphanumeric “*Healthcare Common Procedure Coding System (HCPCS)*.”

d. Revised List of Device Codes Required for Procedure Codes in Selected Device Dependent APCs Effective April 1, 2005. (This revised list, in response to public comment, updates Table 19 that appeared in the final rule with comment period published in the November 15, 2004 Federal Register (69 FR 65763).) Updated February 9, 2005.

2. Conversion Factor Calculation

a. Update to the standardized amount. 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, in lieu of using the Medicare 2005 rates to determine the updated OMFS amounts, the estimated increase in the hospital market basket was applied to the 2004 rate.

b. OMFS conversion factor for hospital outpatient services

1. The 2004 unadjusted conversion factor was \$53.924. The estimated increase in the market basket is 3.3%. The revised unadjusted conversion factor under the OMFS is \$55.703 (53.924×1.033).

c. Substantial changes in the Medicare 2005 wage index resulted in a hospital-specific wage index during a one-year transition.

1. The Division used the hospital-specific wage index values published in the December 30, 2004 Federal Register to determine a hospital’s wage-adjusted conversion factor.

2. The Division used county-specific wage index values to calculate a wage-adjusted conversion factor by county. This conversion

factor should be used to determine the maximum allowable amount for hospitals that are not included in the listing and for ASCs. The labor-related share is .60 of the standard rate and the non-labor-related share is .40. The composite rate is determined as follows:
Composite rate = \$55.703 x (.6 x wage index + .4).

3. 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. These conversion factors would also be applicable to any hospitals that 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.
4. The formulas for calculating the maximum allowable payment for outpatient facility fees and the alternative payment methodology (Title 8, California Code of Regulations §9789.33(a) and (b) are changed to accommodate updated values.
5. To the extent references to the Federal Register or Code of Federal Regulations are made in any sections starting from section 9789.30 through 9789.38 of Title 8 of the California Code of Regulations, said section is amended to incorporate by reference the applicable Federal Register final rule (including correction notices and revisions) and Federal Regulations in effect as of the date the Order becomes effective, for services rendered on or after July 15, 2005.

Authority: Sections 133, 4603.5, 5307.1, and 5307.3, Labor Code.

Reference: Sections 4600, 4603.2, and 5307.1, Labor Code.