# OMFS Update for Hospital Outpatient

# and Ambulatory Surgical Center (ASC) Services

(Effective March 1, 2023)

## 1. Data Sources

The Medicare 2023 update to the hospital outpatient prospective payment system was published on November 23, 2022 in the Federal Register (Vol. 87 FR 71748) and is entitled "Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; Organ Acquisition; Rural Emergency Hospitals: Payment Policies, Conditions of Participation, Provider Enrollment, Physician Self-Referral; New Service Category for Hospital Outpatient Department Prior Authorization Process; Overall Hospital Quality Star Rating; COVID-19” (CMS-1772-FC; Final rule with comment period). The wage index values were published on August 10, 2022 in the Federal Register (Vol. 87 FR 48780) 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 2023 Rates; Quality Programs and Medicare Promoting Interoperability Program Requirements for Eligible Hospitals and Critical Access Hospitals; Costs Incurred for Qualified and Non-Qualified Deferred Compensation Plans; and Changes to Hospital and Critical Access Hospital Conditions of Participation.” (CMS-1771-F; Final rule). A correcting amendment to the final rule was published on November 4, 2022 (Vol. 87 FR 66558, CMS-1771-F2; Correcting Amendment) and a correction notice (CMS 1771-CN) was published on December 13, 2022 (Final rule; correcting amendment and correction notice).)

The [CY 2023 Hospital Outpatient Prospective Payment Final Rule, CMS-1772-FC](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Hospital-Outpatient-Regulations-and-Notices), [FY 2023 IPPS Final Rule](https://www.cms.gov/medicare/acute-inpatient-pps/fy-2023-ipps-final-rule-home-page), correcting amendment, and correction notice are available on the CMS’ web pages.

## 2. Title 8 CCR §9789.30:

* 1. For services rendered on or after March 1, 2023, the unadjusted conversion factor means the OMFS conversion factor for 2022 of $89.845. The “Adjusted Conversion Factor” is calculated as follows: $89.845 x the market basket inflation factor 1.041 x (0.4 + (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.
  2. For services rendered on or after March 1, 2023, "APC Payment Rate" means CMS' hospital outpatient prospective payment system rate for Calendar Year 2023 as set forth in the Federal Register on November 23, 2022 (CMS-1772-FC), [Addendum B-updated 01/20/23](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Addendum-A-and-Addendum-B-Updates) , which document is found on the CMS web site at: [Addendum A and Addendum B Updates | CMS](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Addendum-A-and-Addendum-B-Updates). See subdivision (b) of section 9789.39 for the APC payment rate referenced in Addendum B-updated 01/20/23 by date of service.
  3. For services rendered on or after March 1, 2023, "APC Relative Weight" means CMS' APC relative weight as set forth in the Federal Register on November 23, 2022 (CMS-1772-FC), [Addendum B](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Addendum-A-and-Addendum-B-Updates)-updated 01/20/2023, which document is found on the CMS web site at: [Addendum A and Addendum B Updates | CMS](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Addendum-A-and-Addendum-B-Updates). See subdivision (b) of section 9789.39 for the APC relative weight referenced in Addendum B-updated 01/20/2023 by date of service.
  4. For services rendered on or after March 1, 2023, "Market Basket Inflation Factor" means 4.1%, the market basket percentage increase determined by CMS for FY 2023. See subdivision (b) of section 9789.39 for the Federal Register reference to the market basket inflation factor by date of service. (FY 2023 Final Rule, 87 Federal Register 71748, 71751)
  5. For services rendered on or after March 1, 2023, "Wage Index" means CMS' wage index for urban, rural and hospitals that are reclassified as described in CMS' 2023 Hospital Outpatient Prospective Payment System (OPPS) final rule of November 23, 2022 (CMS-1772-FC). The wage index values are specified in the Hospital Inpatient Prospective Payment Systems final rule of August 10, 2022 (CMS-1771-F), correcting amendment to the final rule of November 4, 2022 (CMS-1771-F2), and correction notice to the final rule of December 13, 2022 (CMS-1771-CN), [Table 2](https://www.cms.gov/medicare/acute-inpatient-pps/fy-2023-ipps-final-rule-home-page#FinalRule), which documents are found on the CMS web site at: [FY 2023 IPPS Final Rule Home Page | CMS](https://www.cms.gov/medicare/acute-inpatient-pps/fy-2023-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 March 1, 2023, the following are incorporated by reference:

a. The Centers for Medicare and Medicaid Services (CMS) 2023 Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems adopted for the Calendar Year 2023, published in the Federal Register on November 23, 2022 (CMS-1772-FC), Addendum A - updated 01/20/2023, column A of AA, B, D1, D2, E, column A of EE, J, L, M, and P. See [CMS-1772-FC |](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc) CMS and [FY 2023 IPPS Final Rule Home Page | CMS.](https://www.cms.gov/medicare/acute-inpatient-pps/fy-2023-ipps-final-rule-home-page%23FinalRule) The payment system includes:

1. CMS OPPS [Addendum A –updated 01/20/2023](https://www.cms.gov/medicare/medicare-fee-service-payment/hospitaloutpatientpps/addendum-and-addendum-b-updates/january-2023-0) — OPPS APCs for CY 2023 (2023\_January\_Web\_Addendum.A.01202023.xlsx)

2. CMS ASC Addendum AA – Updated 01/09/2023 – (January\_2023\_ASC\_[Addenda](https://www.cms.gov/medicare/medicare-fee-for-service-payment/ascpayment/11_addenda_updates).01092023.xlsx), Column A (entitled “HCPCS Code”)

3. CMS OPPS [Addendum B – Updated 01/20/2023](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Addendum-A-and-Addendum-B-Updates) — OPPS Payment by HCPCS Codes for CY 2023 (2023\_January\_Web\_Addendum.B.01202023a.xlsx)

4. CMS OPPS [Addendum D1](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc) –OPPS Payment Status Indicators for CY 2023 (2023 NFRM Addendum D1.11012022.xlsx)

5. CMS OPPS [Addendum D2](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc) — OPPS Comment Indicators for CY 2023 (2023 NFRM Addendum D2.11012022.xlsm)

6. CMS OPPS [Addendum E](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc) — HCPCS Codes that Would Be Paid Only as Inpatient Procedure for CY2023 (2023 NFRM Addendum E.11012022.xlsx)

7. CMS ASC [Addendum EE](https://www.cms.gov/medicare/medicare-fee-for-service-payment/ascpayment/11_addenda_updates)- Updated 01/09/2023 (January\_2023\_ASC\_Addenda.01092023.xlsx), Column A (entitled “HCPCS Code”)

8. CMS OPPS [Addendum J](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc) — Comprehensive APCs (2023 NFRM Addendum J.11012022.xlsx)

9. CMS OPPS [Addendum L](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc) — Out-Migration Adjustment for CY 2023 (2023 NFRM Addendum L.11012022.xlsx)

10. CMS OPPS [Addendum M](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc) — HCPCS Codes for Assignment to OPPS Composite APCs for CY 2023 (2023 NFRM Addendum M.11012022.xlsx)

11. CMS OPPS [Addendum P](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc) — Device-Intensive Procedures for CY 2023 (2023 NFRM Addendum P.11012022.xlsx)

b. The American Medical Association’s Physician “*Current Procedural Terminology,*” 4th edition, revised 2023

c. The CMS’ 2023 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 10, 2022 (CMS-1771-F), correcting amendment of November 4, 2022 (CMS-1771-F2), and correction notice of December 13, 2022 (CMS-1771-CN), which are found on the CMS web site at: [FY 2023 IPPS Final Rule Home Page | CMS](https://www.cms.gov/medicare/acute-inpatient-pps/fy-2023-ipps-final-rule-home-page%23FinalRule).

f. 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 10.2.1-10.2.4, 10.4, 10.4.1, 20.6.14, 20.6.15, 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.

g. The Centers for Medicare and Medicaid Services’ (CMS) [Integrated Outpatient Code Editor (I/OCE)](https://www.cms.gov/Medicare/Coding/OutpatientCodeEdit/OCEQtrReleaseSpecs) CMS Specifications V240.R1 (effective 01/01/2023), sections 5.3.1, 5.3.3, 5.3.5, 5.4, 5.5.1, 5.5.1.1, 5.5.2, 5.5.3, 5.5.4, 5.5.4.1, and 5.5.4.2. These sections provide payment rules for codes assigned status indicator “Q1,” “Q2,” “Q3,” “Q4,” “J1,” or “J2.”

## 4. Conversion Factor Calculation

* 1. 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 2023 hospital market basket rate of 4.1% is utilized in calculating the updated OMFS amounts. See Medicare Hospital Outpatient Prospective Payment System Final Rule (CMS-1772-FC; 87 FR 71748 at 71751.)
  2. OMFS conversion factor for hospital outpatient services

1. The 2022 unadjusted conversion factor was $89.845. The estimated increase in the market basket is 4.1%. The revised conversion factor under the OMFS, updated for inflation, but prior to application of wage index, is $93.528 ($89.845 x 1.041).

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 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 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-1772-FC; 87 FR 71748 at 71786.)](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1772-fc)