

**OMFS Update for Hospital Outpatient and Ambulatory Surgical Center (ASC)
Services
(Effective December 1, 2014)**

1. Data Sources

- a. The Medicare 2014 update to the hospital outpatient prospective payment system was published on December 10, 2013 in the Federal Register (Vol. 78 FR 74826) and is entitled "Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; Hospital Value-Based Purchasing Program; Organ Procurement Organizations; Quality Improvement Organizations; Electronic Health Records (EHR) Incentive Program; Provider Reimbursement Determinations and Appeals" (CMS-1601-FC). The wage index values were published in a separate notice on August 19, 2013 in the Federal Register (Vol. 78 FR 50496) and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Fiscal Year 2014 Rates; Quality Reporting Requirements for Specific Providers; Hospital Conditions of Participation; Payment Policies Related to Patient Status" (CMS-1599-F). Associated rules and notices to the final rule were published on October 3, 2013, in the Federal Register (Vol. 78 FR 61197, CMS-1599-CN2), October 3, 2013, in the Federal Register (Vol. 78 FR 61191, CMS-1599-IFC), January 2, 2014 (Vol. 79 FR 61, CMS-1599-CN3), January 10, 2014 (Vol. 79 FR 1741, CMS-1599-CN4), March 14, 2014 (Vol. 79 FR 15022, CMS-1599-IFC2), and June 17, 2014 (Vol. 79 FR 34444, CMS-1599-N). The relative values were published in a separate notice on December 10, 2013 in the Federal Register (Vol. 78 FR 74230) and is entitled "Medicare Program; Revisions to Payment Policies Under the Physician Fee Schedule, Clinical Laboratory Fee Schedule & Other Revisions to Part B for CY 2014" (CMS-1600-FC).
- b. The Federal Register documents are available at <http://www.cms.hhs.gov/HospitalOutpatientPPS/> , <http://www.cms.hhs.gov/AcuteInpatientPPS/> , and <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/index.html>

2. Title 8 CCR §9789.30:

- a. For services rendered on or after December 1, 2014, the unadjusted conversion factor means the OMFS' conversion factor for 2013 of \$70.761 x the market basket inflation factor 1.025 x (0.4 + (0.6 x wage index)). See section 9789.39 for the unadjusted conversion factor, market basket inflation factor, and labor-related share by date of service.
- b. For services rendered on or after December 1, 2014, "APC Payment Rate" means CMS' hospital outpatient prospective payment system rate for

Calendar Year 2014 as set forth in the Federal Register on December 10, 2013 (CMS-1601-FC), Vol. 78 FR 74826, Addendum B, which document is found on the CMS web site at:

<http://www.cms.gov/HospitalOutpatientPPS>. See section 9789.39 for the Federal Register reference to the APC payment rate by date of service.

- c. For services rendered on or after December 1, 2014, "APC Relative Weight" means CMS' APC relative weight as set forth in CMS' hospital outpatient prospective payment system for the Calendar Year 2014 as set forth in the Federal Register on December 10, 2013 (CMS-1601-FC), Vol. 78 FR 74826, Addendum B, which document is found on the CMS web site at: <http://www.cms.gov/HospitalOutpatientPPS>. See section 9789.39 for the Federal Register reference to the APC relative weight by date of service.
- d. For services rendered on or after December 1, 2014, "Market Basket Inflation Factor" means 2.5%, the market basket percentage increase determined by CMS for FY 2014. See section 9789.39 for the Federal Register reference to the market basket inflation factor by date of service.
- e. For services rendered on or after December 1, 2014, "Wage Index" means CMS' wage index for urban, rural and hospitals that are reclassified as described in CMS' 2014 Hospital Outpatient Prospective Payment System (HOPPS) final rule of December 10, 2013 (CMS-1601-FC), Vol. 78 FR 74826, adopted for Calendar Year 2014. The wage index values are specified in the Hospital Inpatient Prospective Payment Systems published in the Federal Register of August 19, 2013 in the Federal Register (Vol. 78 FR 50496, and associated rules and notices to the final rule), Table 4A for certain urban areas by CBSA and by state, Table 4B for certain rural areas by CBSA and by state, and Table 4C for certain reclassified hospitals by CBSA and state, which documents are found on the CMS web site at: <http://www.cms.gov/AcuteInpatientPPS/>. See section 9789.39 for the Federal Register 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 December 1, 2014, the following is incorporated by reference:

- a. The Centers for Medicare and Medicaid Services' (CMS) 2014 Hospital Outpatient Prospective Payment System (HOPPS), adopted for the Calendar Year 2014, published in the Federal Register on December 10, 2013 in the Federal Register (Vol. 78 FR 74826), Addenda A, B, D1, D2, E, L, M, and P. See <http://www.cms.hhs.gov/HospitalOutpatientPPS>. The payment system includes:
 1. Addendum A "Final OPSS APCs for CY 2014"
 2. Addendum B "Final OPSS Payment by HCPCS Code for CY 2014"
 3. Addendum D1 "Final OPSS Payment Status Indicators For CY 2014"
 4. Addendum D2 "Final OPSS Comment Indicators For CY 2014"

5. Addendum E “Final HCPCS Codes That Are Paid Only as Inpatient Procedures for CY 2014”
6. Addendum L “Final CY 2014 OPPTS Out-Migration Adjustment”
7. Addendum M “Final HCPCS Codes for Assignment to Composite APCs for CY 2014”.
8. Addendum P “FR 2014 Packaged code list_T0112113”
- b. The American Medical Associations’ Physician “*Current Procedural Terminology*”, 4th Edition, Revised 2014.
- c. The CMS’ 2014 Alphanumeric “*Healthcare Common Procedure Coding System* (HCPCS)”.
- d. The Centers for Medicare and Medicaid Services’ (CMS) FY 2014 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2014, published on August 19, 2013 in the Federal Register (Vol. 78 FR 50496) and associated rules and notices to the final rule, Table 2; Table 4A; Table 4B; Table 4C; and Table 4J, which documents are found at <http://www.cms.hhs.gov/AcuteInpatientPPS/>.
- e. The Fiscal Year 2014 Hospital Inpatient Prospective Payment Systems (IPPS) “Payment Impact File” published by the federal Centers for Medicare & Medicaid Services (CMS), which document is found at <http://www.cms.hhs.gov/AcuteInpatientPPS/>
- f. The Medicare Physician Fee Schedule Relative Value Files published by the federal Centers for Medicare & Medicaid Services (CMS) as adopted and incorporated by reference in the OMFS physician fee schedule (Title 8 CCR sections 9789.12.1, et seq.), which documents are found at <http://www.dir.ca.gov/dwc/OMFS9904.htm#7> and <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/index.html>

4. 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 2014 rates to determine the updated OMFS amounts, the estimated increase in the hospital market basket was applied to the 2013 OMFS rate.
- b. OMFS conversion factor for hospital outpatient services
 1. The 2013 unadjusted conversion factor was \$70.761. The estimated increase in the market basket is 2.5%. The revised unadjusted conversion factor under the OMFS is \$72.530 (\$70.761 x 1.025).

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. 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 for services rendered on or after December 1, 2014. Table B reflects the additional 7.1% payment adjustment for services rendered by rural sole community hospitals and EACHs.
6. To the extent references to the Federal Register or Code of Federal Regulations are made in any sections starting from section 9789.30 through 9789.39 of Title 8 of the California Code of Regulations, said section is amended to incorporate by reference the applicable Federal Register final rule (including additional notices, correction notices, and revisions) and Federal Regulations in effect as of the date the Order becomes effective, for services rendered on or after December 1, 2014. In particular, to the extent a section makes reference to the CMS hospital outpatient prospective payment system final rule, said section is amended to incorporate by reference the final rule published on December 10, 2013 in the Federal Register (Vol. 78 FR 74826) and is entitled "Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; Hospital Value-Based Purchasing Program; Organ Procurement Organizations; Quality Improvement Organizations; Electronic Health Records (EHR) Incentive Program; Provider Reimbursement Determinations and Appeals" (CMS-1601-FC). To the extent a section makes reference to the CMS hospital inpatient prospective payment system final rule wage index values, said section is amended to incorporate by reference the final rule published on August 19, 2013 in the Federal Register (Vol. 78 FR 50496) and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Fiscal Year 2014 Rates; Quality Reporting Requirements for Specific Providers; Hospital Conditions of Participation; Payment Policies Related to Patient Status" (CMS-1599-F). Associated rules and notices to the final rule were published on October 3, 2013, in the Federal Register (Vol. 78 FR 61197, CMS-1599-CN2), October 3, 2013, in the Federal Register (Vol. 78 FR 61191, CMS-1599-IFC), January 2, 2014 (Vol. 79 FR 61, CMS-1599-CN3), January 10, 2014 (Vol. 79 FR 1741, CMS-1599-CN4), March 14, 2014 (Vol. 79 FR 15022, CMS-1599-IFC2), and June 17, 2014 (Vol. 79 FR 34444, CMS-1599-N). To the extent a section makes reference to the CMS physician fee schedule final rule relative values, said section is amended to incorporate by reference the final rule published on December 10, 2013 in the Federal Register (Vol. 78 FR 74230) and is entitled "Medicare Program; Revisions to Payment Policies Under the Physician Fee Schedule, Clinical Laboratory Fee Schedule & Other Revisions to Part B for CY 2014" (CMS-1600-FC).