

**OMFS Update for Hospital Outpatient and Ambulatory Surgical Center (ASC)
Services
(Effective March 15, 2018)**

1. Data Sources

The Medicare 2018 update to the hospital outpatient prospective payment system was republished on December 14, 2017 in the Federal Register (Vol. 82 FR 59216) and is entitled "Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs" (CMS-1678-FC; Final rule with comment period). A correction to the final rule were published on December 27, 2017, in the Federal Register (Vol. 82 FR 61184, CMS-1678-CN; Final rule; correction). The wage index values were published in a separate notice on August 14, 2017 in the Federal Register (Vol. 82 FR 37990) and is 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 2018 Rates; Quality reporting Requirements for Specific Providers; Medicare and Medicaid Electronic Health Record (EHR) Incentive Program Requirements for Eligible Hospitals, Critical Access Hospitals, and Eligible Professionals; Provider-Based Status of Indian Health Services and Tribal Facilities and Organizations; Costs Reporting and Provider Requirements; Agreement Termination Notices" (CMS-1677-F; Final rule). A correction to the final rule were published on October 4, 2017, in the Federal Register (Vol. 82 FR 46138, CMS-1677-CN (Final rule; correction)).

The Federal Register documents are available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/index.html?redirect=/HospitalOutpatientPPS/> and <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>.

2. Title 8 CCR §9789.30:

- a. For services rendered on or after March 15, 2018, the unadjusted conversion factor means the OMFS conversion factor for 2017 of \$78.488 x the market basket inflation factor 1.027 x (0.4 + (0.6 x wage index). See section 9789.39 for the conversion factor adjusted for inflation factor, market basket inflation factor, and labor-related share by date of service.
- b. For services rendered on or after March 15, 2018, "APC Payment Rate" means CMS' hospital outpatient prospective payment system rate for Calendar Year 2018 as set forth in the Federal Register on December 14, 2017 (CMS-1678-FC) and correction to the final rule set forth in the Federal Register on December 27, 2017 (CMS-1678-CN), Addendum B, which document is found on the CMS web site at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/index.html?redirect=/HospitalOutpatientPPS/>. See subdivision (b) of section 9789.39 for the APC payment rate referenced in Addendum B by date of service.

- c. For services rendered on or after March 15, 2018, "APC Relative Weight" means CMS' APC relative weight as set forth in the Federal Register on December 14, 2017 (CMS-1678-FC) and correction to the final rule set forth in the Federal Register on December 27, 2017 (CMS-1678-CN), Addendum B, which document is found on the CMS web site at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/index.html?redirect=/HospitalOutpatientPPS/>. See subdivision (b) of section 9789.39 for the APC relative weight referenced in Addendum B by date of service.
- d. For services rendered on or after March 15, 2018, "Market Basket Inflation Factor" means 2.7%, the market basket percentage increase determined by CMS for FY 2018. See subdivision (b) of 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 March 15, 2018, "Wage Index" means CMS' wage index for urban, rural and hospitals that are reclassified as described in CMS' 2018 Hospital Outpatient Prospective Payment System (OPPS) final rule of December 14, 2017 (CMS-1678-FC) and correction to the final rule set forth in the Federal Register on December 27, 2017 (CMS-1678-CN). The wage index values are specified in the Hospital Inpatient Prospective Payment Systems final rule of August 14, 2017 (CMS-1677-F) and correction to the final rule of October 4, 2017 (CMS-1677-CN), Table 2, which documents are found on the CMS web site at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>. 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 15, 2018, the following are incorporated by reference:

- a. The Centers for Medicare and Medicaid Services (CMS) 2018 Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems adopted for the Calendar Year 2018, published in the Federal Register on December 14, 2017 (CMS-1678-FC) and correction to the final rule set forth in the Federal Register on December 27, 2017 (CMS-1678-CN), Addenda A, column A of AA, B, D1, D2, E, column A of EE, J, L, M, and P. See <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/index.html?redirect=/HospitalOutpatientPPS/> and <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ASCPayment/index.html>.

The payment system includes:

- 1. CMS OPPS Addendum A— OPPS APCs for CY 2018 (2018 CN Addendum A.11.29.17)

2. CMS ASC Addendum AA (Correction Notice Addendum AA, BB, DD1, DD2, EE; CMS-1678-CN-ASC-Addendum-AA-BB-DD1-DD2-EE.zip), Column A (entitled “HCPCS Code”)
 3. CMS OPPS Addendum B— OPPS Payment by HCPCS Codes for CY 2018 (2018 CN Addendum B.11.29.17)
 4. CMS OPPS Addendum D1 — OPPS Payment Status Indicators for CY 2018 (2018 Final Addendum 2018, NFRM Addendum D1.10.18.17)
 5. CMS OPPS Addendum D2 — OPPS Comment Indicators for CY 2018 (2018 Final Addendum, 2018 NFRM Addendum D2.10.18.17)
 6. CMS OPPS Addendum E — HCPCS Codes that Would Be Paid Only as Inpatient Procedure for 2018 (2018 Final Addendum, 2018 NFRM Addendum E.10.18.17)
 7. CMS ASC Addendum EE (Correction Notice Addendum AA, BB, DD1, DD2, EE; CMS-1678-CN-ASC-Addendum-AA-BB-DD1-DD2-EE.zip), Column A (entitled “HCPCS Code”)
 8. CMS OPPS Addendum J — Comprehensive APCs (2018 NFRM Addendum J Revised 01-25-2018)
 9. CMS OPPS Addendum L — Out-Migration Adjustment for CY 2018 (2018 Final Addendum, 2018 NFRM Addendum L final)
 10. CMS OPPS Addendum M — HCPCS Codes for Assignment to OPPS Composite APCs for CY 2018 (2018 CN Addendum M.12.04.17)
 11. CMS OPPS Addendum P — Device-Intensive Procedures for CY 2018 (2018 NFRM CN Addendum P 11 20 17)
- b. The American Medical Associations’ Physician “*Current Procedural Terminology*,” 4th Edition, Revised 2018.
 - c. The CMS’ 2018 Alphanumeric “*Healthcare Common Procedure Coding System* (HCPCS).”
 - d. The Centers for Medicare and Medicaid Services’ (CMS) FY 2018 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2018, published on August 14, 2017 in the Federal Register (Vol. 82 FR 37990) and correction to the final rule, Table 2 and Table 3, which documents are found at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>.
 - e. The Fiscal Year 2018 Hospital Inpatient Prospective Payment Systems (IPPS) “Payment Impact File” published by the federal Centers for Medicare & Medicaid Services (CMS), which document is found at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>.
 - f. The Centers for Medicare and Medicaid Services’ (CMS) Claims Processing Manual, Chapter 4, sections 10.2.1-10.2.3, 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) CMS Specifications V19.0 (effective 01/01/2018), sections 7, 10 - 12, 20, 21, and appendix L. These sections provide payment rules for codes assigned status indicator "Q1," "Q2," "Q3," "Q4," "J1," or "J2."

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 2018 rates to determine the updated OMFS amounts, the estimated increase in the hospital market basket was applied to the 2017 OMFS rate.
- b. OMFS conversion factor for hospital outpatient services
 - 1. The 2017 unadjusted conversion factor was \$78.488. The estimated increase in the market basket is 2.7%. The revised unadjusted conversion factor under the OMFS is \$80.607 ($\78.488×1.027).

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 EACHs.