

**OMFS Update for Outpatient Hospital and Ambulatory Surgical Center (ASC)
Services
(Effective March 1, 2007)**

1. Data Sources

- a. The Medicare 2007 update to the hospital outpatient prospective payment system was published on November 24, 2006 in the Federal Register (Vol. 71 FR 67960) and is entitled "Medicare Program; Revisions to the Hospital Outpatient Prospective Payment System and Calendar Year 2007 Payment Rates; Final Rule" (CMS-1506-FC). The wage index values were published on August 18, 2006, in a separate notice (Vol.71 FR 47870) entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2007 Rates; Final Rule" (CMS-1488-F); and additional notice was published on October 11, 2006, (Vol. 71 FR 59886) entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems and Fiscal Year 2007 Rates: Final Fiscal Year 2007 Wage Indices and Payment Rates After Application of Revised Occupational Mix Adjustment to Wage Index" (CMS-1488-N).
- b. The Federal Register documents are available at <http://www.cms.hhs.gov/HospitalOutpatientPPS/> , <http://www.cms.hhs.gov/AcuteInpatientPPS/> , and the wage index values are available in a PDF file at http://www.cms.hhs.gov/AcuteInpatientPPS/03_wageindex.asp#TopOfPage

2. Title 8 CCR §9789.31 is amended as follows:

- a. For services rendered on or after March 1, 2007, §9789.31 is amended to incorporate by reference the following:
 1. The Centers for Medicare and Medicaid Services' (CMS) 2007 Hospital Outpatient Prospective Payment System (HOPPS), for the Calendar Year 2007, published in the Federal Register on November 24, 2006 Volume 71, No. 226, Addenda A, B, D1, D2, E, and L, found within pages 68231 through 68401 (CMS-1506-FC). See <http://www.cms.hhs.gov/HospitalOutpatientPPS> . The payment system includes:
 - i. Addendum A "OPPS List of Ambulatory Payment Classifications (APCs) with Status Indicators (SI), Relative Weights, and Copayment Amounts Calendar Year 2007."
 - ii. Addendum B "Payment Status by HCPCS Code and Related Information Calendar Year 2007."
 - iii. Addendum D1 "Payment Status Indicators"
 - iv. Addendum D2 "Comment Indicators."

- v. Addendum E “CPT Codes That Are Paid Only As Inpatient Procedures.”
- vi. Addendum L “Out-Migration Wage Adjustment”
- 2. The American Medical Associations’ Physician “*Current Procedural Terminology*”, 2007 Edition.
- 3. The CMS’ 2007 Alphanumeric “*Healthcare Common Procedure Coding System (HCPCS)*”.
- 4. The Centers for Medicare and Medicaid Services’ (CMS) FY 2007 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2007, published in the Federal Register on October 11, 2006, Volume Vol.71, No. 196, Tables 4A-1 (pages 59975 through 59998), 4A-2 (page 59998), 4B-1 (pages 59998 through 59999), 4B-2 (page 59999), and 4J (pages 60004 through 60012) (CMS-1488-N).
- 5. The Fiscal Year 2007 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/>.

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 2007 rates to determine the updated OMFS amounts, the estimated increase in the hospital market basket was applied to the 2006 OMFS rate.
- b. OMFS conversion factor for hospital outpatient services
 - 1. The 2006 unadjusted conversion factor was \$57.764. The estimated increase in the market basket is 3.4%. The revised unadjusted conversion factor under the OMFS is \$59.728 ($\57.764×1.034).

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 March 1, 2007 through March 31, 2007, and for services rendered on or after April 1, 2007.

Table B reflects the additional 7.1% payment adjustment for services rendered by rural sole community hospitals.

6. Update to the outlier threshold. The outlier threshold is \$1,825.00 for services rendered after March 1, 2007.
7. 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 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 March 1, 2007. 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 November 24, 2006 in the Federal Register (Vol. 71 FR 67960) and is entitled "Medicare Program; Revisions to the Hospital Outpatient Prospective Payment System and Calendar Year 2007 Payment Rates; Final Rule" (CMS-1506-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 18, 2006, in a separate notice (Vol.71 FR 47870) entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2007 Rates; Final Rule" (CMS-1488-F); and additional notice was published on October 11, 2006, (Vol. 71 FR 59886) entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems and Fiscal Year 2007 Rates: Final Fiscal Year 2007 Wage Indices and Payment Rates After Application of Revised Occupational Mix Adjustment to Wage Index" (CMS-1488-N).

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

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