

**OMFS Update for Physician and Non-Physician Practitioner Services  
Explanation of Changes  
(Effective January 1, 2016)**

**1. Data Sources**

The Medicare CY 2016 update to the Medicare physician fee schedule was placed on display on October 30, 2015 and was published in the Federal Register on November 16, 2015 (80 Fed. Reg. 70886). It is entitled "Medicare Program; Revisions to Payment Policies under the Physician Fee Schedule and Other Revisions to Part B for CY 2016" (CMS-1631-FC). Hereafter, the final rule will be referenced as "CY 2016 Medicare Physician Fee Schedule Final Rule, CMS-1631-FC."

The Federal Register document and supporting download files are available at:  
<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/PFS-Federal-Regulation-Notices-Items/CMS-1631-FC.html?DLPage=1&DLEntries=10&DLSort=2&DLSortDir=descending>

**2. Revisions Adopted by Update Order to Conform to Medicare**

**Update Table**

**Title 8 CCR §9789.19:** A new subdivision (c) is added, adopting updates for services rendered on or after January 1, 2016, to conform to Medicare changes, as follows:

Adjustment Factors	<p>Updated for 2016, to include the relevant 2016 Medicare adjustment factors:</p> <p>From CY 2016 Medicare Physician Fee Schedule Final Rule, CMS-1631-FC:</p> <p>2016 Relative Value Unit budget neutrality adjustment factor: 0.9998 [Tables 60 &amp; 61]</p> <p>2016 Anesthesia Practice Expense and Malpractice adjustment factor: .99555 [Table 61]</p> <p>2016 Annual increase in the MEI: 1.011 [80 Fed. Reg. 70886, 71065]</p> <p>The 2015 cumulative adjustment factor for all services "other than anesthesia" was 1.0703 and 1.0461 for anesthesia. [8 CCR §9789.19(b)]</p>
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	<p>The 2016 cumulative adjustment factor for all services “other than anesthesia” is 1.0818 and 1.0527 for anesthesia.</p> <p>[See detailed explanation set forth below this table.]</p>
Anesthesia Base Units by CPT Code	CMS indicates that “The anesthesia base units are unchanged for 2016”; therefore the “2014anesBASEfin” file is retained.
California-Specific Codes	The maximum fee for each of these codes has been updated by the MEI 1.1% increase (1.011) pursuant to section 9789.12.14.
CCI Edits: Medically Unlikely Edits	Will be updated to 2016. CMS has not yet released the 2016 file.
CCI Edits: National Correct Coding Initiative Policy Manual for Medicare Services	Updated to the CMS’ 2016 annual manual.
CCI Edits: Physician CCI Edits (Practitioner PTP Edits)	Will be updated to 2016. CMS has not yet released the 2016 file.
CMS’ Medicare National Physician Fee Schedule Relative Value File [Zip]	Updated to the CMS’ 2016 RVUA.
Conversion Factors adjusted for MEI and Relative Value Scale adjustment factor	<p>Updated the unadjusted transition conversion factors set forth in 8 CCR §9789.12.5(b)(2) with Medicare 2016 adjustments pursuant to subdivision §9789.12.5 (b)(3). The 2016 Adjusted Conversion Factors are the Conversion Factors used to determine the maximum fees.</p> <p>[See detailed explanation set forth below this table.]</p>
Current Procedural Terminology (CPT®)	Updated to CPT® 2016.
Current Procedural Terminology CPT codes that shall not be used	The list is unchanged from 2015.
Diagnostic Cardiovascular Procedure CPT codes subject to the MPPR	Updated to 2016.

Diagnostic Imaging Family Indicator Description	Unchanged.
Diagnostic Imaging Family Procedures Subject to the MPPR	Updated to 2016.
Diagnostic Imaging Multiple Procedures Subject to the MPPR	Updated to 2016.
DWC Pharmaceutical Fee Schedule	Sets forth reference to DWC pharmaceutical fee schedule web page, which is unchanged from 2015.
Health Professional Shortage Area zip code data files	Updated to 2016 files for the Primary Care HPSA and the Mental Health HPSA.
Health Resources and Services Administration: HPSA shortage area query	Sets forth reference to the HRSA HPSA shortage web page query by state/county and by address; website references are unchanged from 2015.
Incident To Codes	Updated to 2016.
Medi-Cal Rates – DHCS	Updated to the 12/15/2015 rates for “physician-administered drugs, biologicals, vaccines or blood products,” which will continue to be in effect on January 1, 2016. Will be updated monthly by Administrative Director’s posting order. Medi-Cal rates are updated as of the 15 <sup>th</sup> of each month, posted to the Medi-Cal website on the 16 <sup>th</sup> of each month, and posted to the DWC website as soon as feasible.
Ophthalmology Procedure CPT codes subject to the MPPR	Updated to 2016.
Physical Therapy Multiple Procedure Payment Reduction: “Always Therapy” Codes; and Acupuncture and Chiropractic Codes	Updated to 2016 Medicare list of “Always Therapy Codes”. In addition, retain the acupuncture codes and chiropractic manipulation codes, which are unchanged from 2015.
Physician Time	Updated to 2016

Statewide GAFs (Other than anesthesia)	Medicare 2016 California GPCIs did not change for 2016; therefore the average statewide GAFs for Work, Practice Expense, and Malpractice Expense did not change.  [See detailed explanation set forth below this table.]
Statewide GAF (Anesthesia)	Updated to 2016, using the Medicare 2016 California GPCIs and the 2016 anesthesia cost shares.  [See detailed explanation set forth below this table.]
Splints and Casting Supplies	Sets forth reference to the Durable Medical Equipment, Prosthetics, Orthotics, Supplies fee schedule applicable to the date of service, reference is unchanged from 2015.
The 1995 Documentation Guidelines for Evaluation & Management Services	Sets forth reference to the 1995 Documentation Guidelines web page, which is unchanged from 2015.
The 1997 Documentation Guidelines for Evaluation and Management Services	Sets forth reference to the 1997 Documentation Guidelines web page, which is unchanged from 2015.

**Adjustment Factors – Updating the Conversion Factors and Statewide Geographic Adjustment Factors (GAFs)**

- a. The 2016 annual increase in the Medicare Economic Index (MEI) is 1.1%. (CY 2016 Medicare Physician Fee Schedule Final Rule, CMS-1631-FC (80 Fed. Reg. 70886, 71065.)) The MEI is an input price index that accounts for annual changes in the various resources involved in providing physician services.
- b. The 2016 Relative Value Scale (RVS) adjustment factors:
  - 1) The RVS adjustment factor for all services other than anesthesia for 2016 consists of the Medicare 2016 RVU budget neutrality adjustment factor, which is 0.9998. (CY 2016 Medicare Physician Fee Schedule Final Rule, CMS-1631-FC, Table 60.)
  - 2) The RVS adjustment factor for anesthesia for 2016 is the product of the Medicare 2016 RVU budget neutrality factor (0.9998), and the 2016 anesthesia practice expense and malpractice expense adjustment factor (0.99555). (CY 2016 Medicare Physician Fee Schedule Final Rule, CMS-

1631-FC, Table 61.) The RVS adjustment factor for anesthesia equals 0.99935 (0.9998 x 0.99555).

- 3) The “Update Factor” of 0.05 percent in Table 60 and the CY 2016 Target Recapture Amount of -0.77 percent in Table 60 and Table 61 of CY 2016 Medicare Physician Fee Schedule Final Rule, CMS-1631-FC are not applicable because Labor Code §5307.1(g)(1)(A)(iii) specifies that the physician fee schedule updates are to be based upon the Medicare Economic Index and the relative value scale adjustment factors.
- c. The cumulative adjustment factors applicable to the conversion factors (CFs) between 2012 and 2016 are shown in Column E of Table 1 and are the products of the MEI and RVS adjustment factors for 2015 and 2016.
- 1) The 2015 cumulative adjustment factor for all other services is 1.0703. The 2016 annual adjustment factor is 1.0108 (1.011 x 0.9998). The 2016 cumulative adjustment factor is 1.0818 (1.0703 x 1.0108).
  - 2) The 2015 cumulative anesthesia adjustment factor is 1.0461. The 2016 annual adjustment factor is 1.0063 (1.011 x 0.9998 x 0.99555). The 2016 cumulative adjustment factor is 1.0527 (1.0461 x 1.0063).

**Table 1** Derivation of the Cumulative Adjustment Factors Applied to the Unadjusted 2016 CFs set forth in §9789.12.5(b)(2)

Type of Service	2015 Cumulative Adjustment Factor	2016 Adjustment Factors			2016 Cumulative Adjustment Factor
	(A)	(B) MEI	(C) RVS BN	(D) Total Annual Adjust. Factor (B) x (C)	(E) (A) x (D)
Anesthesia	1.0461	1.011	0.99535 (0.9998 x 0.99555)	1.0063	1.0527
All services other than anesthesia	1.0703	1.011	0.9998	1.0108	1.0818

- d. The unadjusted 2016 CFs are set forth in §9789.12.5(b)(2) and are a blend of 25 percent “OMFS budget neutral CF” and 75 percent “120 percent of the Medicare 2012 CF”. The 2016 CFs adjusted for the cumulative change in the MEI and RVS adjustment factors are shown in Table 2.

**Table 2\*** 2016 Unadjusted CFs, Cumulative Adjustment Factors and 2016 Adjusted CFs

Type of Service	Unadjusted 2016 CF	Cumulative Adjustment Factor (from Table 1 Column E)	2016 Adjusted CF

	(A)	(B)	(C) (A) x (B)
Anesthesia	27.9148	1.0527	29.3852
Surgery	44.5551	1.0818	48.2013
Radiology	43.8697	1.0818	47.4598
All other services	39.2480	1.0818	42.4599

\*Due to rounding, the numbers presented in the table may not precisely reflect the underlying calculations.

- e. Statewide Average GAFs for services “other than anesthesia.” The Division has evaluated the need to update the statewide geographic adjustment factors (GAFs) based on the CMS’ 2016 California locality-specific geographic practice cost indices (GPCIs) set forth in CY 2016 Addendum E Geographic Practice Cost Indices (GPCIs) CMS-1631-FC\_Revision\_05NOV15. The statewide GAFs are an average of the locality-specific GPCIs for each cost component weighted by each locality’s estimated share of RVUs for the applicable cost component. The weighting results in statewide values that are estimated to be budget neutral to the allowances that would result from using locality-specific GPCI values. The 2016 CMS California GPCIs are the same as the 2015 CMS GPCIs, therefore the statewide GAFs for other than anesthesia have not been revised. The calculated average statewide GAFs for “other than anesthesia” are:

- 1) Average Statewide Work GAF: 1.042
- 2) Average Statewide Practice Expense GAF: 1.1621
- 3) Average Statewide Malpractice Expense GAF: 0.7388

Statewide Average GAF for anesthesia services.

The average statewide anesthesia GAF is a weighted average of the locality-specific anesthesia GAF calculated using the CMS’ 2016 anesthesia cost shares available at: <http://www.cms.gov/Center/Provider-Type/Anesthesiologists-Center.html> . The three anesthesia cost shares are contained in the folder “2016 Anesthesia Conversion Factors [ZIP. 13KB]” in the excel document “CY 2016 Locality Adjusted CF\_Revision\_05NOV15” in the “Anesthesia Shares” excel sheet. These cost shares are:

2016 Anesthesia  
Cost Shares

Work	0.77
PE	0.17
MP	0.06

The weighting factor is each locality’s estimated share of allowances for anesthesia services. The calculated 2016 Average Statewide Anesthesia GAF is: 1.0487.