OMFS Update for Hospital Outpatient

and Ambulatory Surgical Center (ASC) Services

(Effective March 1, 2021)

1. Data Sources

The Medicare 2021 update to the hospital outpatient prospective payment system was published on December 29, 2020 in the Federal Register (Vol. 85 FR 85866) and is entitled " Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; New Categories for Hospital Outpatient Department Prior Authorization Process; Clinical Laboratory Fee Schedule: Laboratory Date of Service Policy; Overall Hospital Quality Star Rating Methodology; Physician-Owned Hospitals; Notice of Closure of Two Teaching Hospitals and Opportunity To Apply for Available Slots, Radiation Oncology Model; and Reporting Requirements for Hospitals and Critical Access Hospitals (CAHs) To Report COVID–19 Therapeutic Inventory and Usage and To Report Acute Respiratory Illness During the Public Health Emergency (PHE) for Coronavirus Disease 2019 (COVID–19)” (CMS-1736-FC; Final rule with comment period). The wage index values were published on September 18, 2020 in the Federal Register (Vol. 85 FR 58432) 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 Final Policy Changes and Fiscal Year 2021 Rates; Quality Reporting and Medicare and Medicaid Promoting Interoperability Programs Requirements for Eligible Hospitals and Critical Access Hospitals.” (CMS-1735-F; Final rule). A correction to the final rule was published on December 7, 2020, in the Federal Register (Vol. 85 FR 78748, CMS-1735-CN (Final rule; correction)).

The Federal Register documents are available at [CMS-1736-FC | CMS](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1736-fc) and

[FY 2021 IPPS Final Rule Home Page | CMS](https://www.cms.gov/medicare/acute-inpatient-pps/fy-2021-ipps-final-rule-home-page)

1. Title 8 CCR §9789.30:
	1. For services rendered on or after March 1, 2021, the unadjusted conversion factor means the OMFS conversion factor for 2020 of $85.433. The “Adjusted Conversion Factor” is calculated as follows: $85.433 x the market basket inflation factor 1.024 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, 2021, "APC Payment Rate" means CMS' hospital outpatient prospective payment system rate for Calendar Year 2021 as set forth in the Federal Register on December 29, 2020 (CMS-1736-FC), Addendum B, which document is found on the CMS web site at: [CMS-1736-FC | CMS](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1736-fc) See subdivision (b) of section 9789.39 for the APC payment rate referenced in Addendum B by date of service.
	3. For services rendered on or after March 1, 2021, "APC Relative Weight" means CMS' APC relative weight as set forth in the Federal Register on December 29, 2020 (CMS-1736-FC), Addendum B, which document is found on the CMS web site at: [CMS-1736-FC | CMS](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1736-fc). See subdivision (b) of section 9789.39 for the APC relative weight referenced in Addendum B by date of service.
	4. For services rendered on or after March 1, 2021, "Market Basket Inflation Factor" means 2.4%, the market basket percentage increase determined by CMS for FY 2021. See subdivision (b) of section 9789.39 for the Federal Register reference to the market basket inflation factor by date of service.
	5. For services rendered on or after March 1, 2021, "Wage Index" means CMS' wage index for urban, rural and hospitals that are reclassified as described in CMS' 2021 Hospital Outpatient Prospective Payment System (OPPS) final rule of December 29, 2020 (CMS-1736-FC). The wage index values are specified in the Hospital Inpatient Prospective Payment Systems final rule of September 18, 2020 (CMS-1735-F) and correction to the final rule of December 7, 2020 (CMS-1735-CN), Table 2, which documents are found on the CMS web site at: [FY 2021 IPPS Final Rule Home Page | CMS](https://www.cms.gov/medicare/acute-inpatient-pps/fy-2021-ipps-final-rule-home-page#1735) 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, 2021, the following are incorporated by reference:

a. The Centers for Medicare and Medicaid Services (CMS) 2021 Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems adopted for the Calendar Year 2021, published in the Federal Register on December 29, 2020 (CMS-1736-FC), Addenda A, column A of AA, B, D1-updated 01/12/21, D2, E, column A of EE, J, L, M, and P. See [CMS-1736-FC | CMS](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1736-fc) and [FY 2021 IPPS Final Rule Home Page | CMS](https://www.cms.gov/medicare/acute-inpatient-pps/fy-2021-ipps-final-rule-home-page#1735). The payment system includes:

1. CMS OPPS Addendum A— OPPS APCs for CY 2021 (2021\_January\_Web\_Adeendum Addendum\_A.12.29.20.xlsx)

2. CMS ASC Addendum AA –Updated 01/27/2021 (CY\_2021\_January\_ASC\_Addenda\_01272021.xlsx), Column A (entitled “HCPCS Code”)

3. CMS OPPS Addendum B— OPPS Payment by HCPCS Codes for CY 2021 (2021\_January\_Web\_Addendum B.12292020.xlsx)

4. CMS OPPS Addendum D1 – Updated 01/12/21- OPPS Payment Status Indicators for CY 2021 (January\_2021\_Addendum\_D1.01122021.xlsx)

5. CMS OPPS Addendum D2 — OPPS Comment Indicators for CY 2021 (2021 NFRM Addendum D2.11302020.xlsm)

6. CMS OPPS Addendum E — HCPCS Codes that Would Be Paid Only as Inpatient Procedure for CY2021 (2021 NFRM Addendum E.11302020.xlsx)

7. CMS ASC Addendum EE- Updated 01/27/2021 (CY 2021 ASC Addenda.01272021.xlsx), Column A (entitled “HCPCS Code”)

8. CMS OPPS Addendum J — Comprehensive APCs (2021 NFRM Addendum J.11302020.xls)

9. CMS OPPS Addendum L — Out-Migration Adjustment for CY 2021 (2021 NFRM Addendum L.11302020.xlsx)

10. CMS OPPS Addendum M — HCPCS Codes for Assignment to OPPS Composite APCs for CY 2021 (2021 NFRM Addendum M.11302020.xlsx)

11. CMS OPPS Addendum P — Device-Intensive Procedures for CY 2021 (CY2021 OPPS Addendum P.11302020.xlsx)

b. The American Medical Associations’ Physician “*Current Procedural Terminology,*” 4th edition, revised 2021

c. The CMS’ 2021 Alphanumeric *“Healthcare Common Procedure Coding System* (HCPCS).”

d. The Centers for Medicare and Medicaid Services’ (CMS) FY 2021 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2021, published on September 18, 2020 (CMS-1735-F) and correction to the final rule, which documents are found at https://www.cms.gov/medicare/acute-inpatient-pps/fy-2021-ipps-final-rule-home-page

e. The Fiscal Year 2021 Hospital Inpatient Prospective Payment Systems (IPPS) “FY 21 Impact File (Final Rule and Correction Notice) [ZIP]” published by the federal Centers for Medicare & Medicaid Services (CMS), which document is found at https://www.cms.gov/medicare/acute-inpatient-pps/fy-2021-ipps-final-rule-home-page

f. The Centers for Medicare and Medicaid Services’ (CMS) Claims Processing Manual, 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) CMS Specifications V220.R0 (effective 01/01/2021), sections 5.4.1, 5.4.3, 5.4.5, 5.5, 5.6.1, 5.6.1.1, 5.6.2, 5.6.3, 5.6.4, 5.6.4.1, and 5.6.4.2. 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 2021 hospital market basket rate of 2.4% is utilized in calculating the updated OMFS amounts. See [Medicare Hospital Outpatient Prospective Payment System Final Rule (CMS-1736-FC; 85 FR 85866 at 85869.)](https://www.cms.gov/medicaremedicare-fee-service-paymenthospitaloutpatientppshospital-outpatient-regulations-and-notices/cms-1736-fc)
	2. OMFS conversion factor for hospital outpatient services

1. The 2020 unadjusted conversion factor was $85.433. The estimated increase in the market basket is 2.4%. The revised conversion factor under the OMFS, updated for inflation, but prior to application of wage index, is $87.483 ($85.433 x 1.024).

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.