

**OMFS Update for Outpatient Hospital and Ambulatory Surgical Center (ASC)
Services
(Effective September 15, 2011)**

1. Data Sources

- a. The Medicare 2011 update to the hospital outpatient prospective payment system was published on November 24, 2010 in the Federal Register (Vol. 75 FR 71800) and is entitled "Medicare Program: Hospital Outpatient Prospective Payment System and CY 2011 Payment Rates; Ambulatory Surgical Center Payment System and CY 2011 Payment Rates; Payments to Hospitals for Graduate Medical Education Costs; Physician Self-Referral Rules and Related Changes to Provider Agreement Regulations; Payment for Certified Registered Nurse Anesthetist Services Furnished in Rural Hospitals and Critical Access Hospitals" (CMS-1504-FC). A correction of the final rule was published on March 11, 2011 in the Federal Register (Vol. 76 FR 13292) and is entitled "Medicare Program: Changes to the Hospital Outpatient Prospective Payment System and CY 2011 Payment Rates; Changes to the Ambulatory Surgical Center Payment System and CY 2011 Payment Rates; Changes to Payments to Hospitals for Graduate Medical Education Costs; Corrections" (CMS-1504-CN). The wage index values were published in a separate notice on August 16, 2010 in the Federal Register (Vol. 75 FR 50042) and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System Changes and FY2011 Rates; Provider Agreements and Supplier Approvals; and Hospital Conditions of Participation for Rehabilitation and Respiratory Care Services; Medicaid Program: Accreditation for Providers of Inpatient Psychiatric Services" (CMS-1498-F). A correction to the final rule was published on October 1, 2010, in the Federal Register (Vol. 75 FR 60640), and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System Changes and FY 2011 Rates; Provider Agreements and Supplier Approvals; and Hospital Conditions of Participation for Rehabilitation and Respiratory Care Services; Medicaid Program: Accreditation for Providers of Inpatient Psychiatric Services; Corrections" (CMS-1498-F).

- 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 at http://www.cms.hhs.gov/AcuteInpatientPPS/03_wageindex.asp#TopOfPage

2. The fixed-dollar outlier threshold is \$2,025.00 for services rendered after September 15, 2011.
3. Title 8 CCR §9789.31 is amended as follows:

a. For services rendered on or after September 15, 2011, §9789.31 is amended to incorporate by reference the following:

1. The Centers for Medicare and Medicaid Services' (CMS) 2011 Hospital Outpatient Prospective Payment System (HOPPS), for the Calendar Year 2011, published in the Federal Register on November 24, 2010 Volume 75, No. 226, Addenda A, B, D1, D2, E, L, and M found within pages 72268 through 72580 (CMS-1504-FC) and on page 13295 (CMS-1504-CN). See <http://www.cms.hhs.gov/HospitalOutpatientPPS>. The payment system includes:
 - i. Addendum A "OPPS APCs for CY 2011"
 - ii. Addendum B "OPPS Payment by HCPCS Code for CY 2011"
 - iii. Addendum D1 "Final OPPS Payment Status Indicators for CY 2011"
 - iv. Addendum D2 "Final OPPS Comment Indicators for CY 2011"
 - v. Addendum E "HCPCS Codes that are Paid as Inpatient Procedures for CY 2011"
 - vi. Addendum L "Final CY 2011 OPPS Out-Migration Adjustment"
 - vii. Addendum M "HCPCS Codes for Assignment to Composite APCs for CY 2011".
2. The American Medical Association's Physician "Current Procedural Terminology", 4th Edition, Revised 2011.
3. The CMS' 2011 Alphanumeric "Healthcare Common Procedure Coding System (HCPCS)".
4. The Centers for Medicare and Medicaid Services' (CMS) FY 2011 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2011, published in the Federal Register on August 16, 2010, Vol.75, No. 157, (CMS-1498-F), Table 2 on pages 50451 through 50504; Table 4A on pages 50511 through 50516; Table 4B on page 50516; Table 4C on pages 50516 through 50520; and Table 4J on pages 50540 through 50547.
5. The Fiscal Year 2011 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 2011 rates to determine the updated

OMFS amounts, the estimated increase in the hospital market basket was applied to the 2010 OMFS rate.

b. OMFS conversion factor for hospital outpatient services

1. The 2010 unadjusted conversion factor was \$65.262. The estimated increase in the market basket is 2.6%. The revised unadjusted conversion factor under the OMFS is \$66.959 ($\65.262×1.026).

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 September 15, 2011. Table B reflects the additional 7.1% payment adjustment for services rendered by rural sole community hospitals and EACHs.
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 September 15, 2011. 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, 2010 in the Federal Register (Vol. 75 FR 71800) and is entitled "Medicare Program: Hospital Outpatient Prospective Payment System and CY 2011 Payment Rates; Ambulatory Surgical Center Payment System and CY 2011 Payment Rates; Payments to Hospitals for Graduate Medical Education Costs; Physician Self-Referral Rules and Related Changes to Provider Agreement Regulations; Payment for Certified Registered Nurse Anesthetist Services Furnished in Rural Hospitals and Critical Access Hospitals" (CMS-1504-FC); and the correction of the final rule published on March 11, 2011 in the Federal Register (Vol. 76 FR 13292) and is entitled "Medicare Program: Changes to the Hospital Outpatient Prospective Payment System and CY 2011 Payment Rates; Changes to the Ambulatory Surgical Center Payment System and CY 2011 Payment Rates; Changes to Payments to Hospitals for Graduate Medical Education Costs; Corrections" (CMS-1504-CN). 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 16, 2010 in the Federal Register (Vol. 75 FR 50042) and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System Changes and FY2011 Rates; Provider Agreements and Supplier Approvals; and Hospital Conditions of Participation for

Rehabilitation and Respiratory Care Services; Medicaid Program: Accreditation for Providers of Inpatient Psychiatric Services” (CMS-1498-F); and the correction to the final rule published on October 1, 2010, in the Federal Register (Vol. 75 FR 60640), and is entitled “Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System Changes and FY 2011 Rates; Provider Agreements and Supplier Approvals; and Hospital Conditions of Participation for Rehabilitation and Respiratory Care Services; Medicaid Program: Accreditation for Providers of Inpatient Psychiatric Services; Corrections” (CMS-1498-F).

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

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