

**OMFS Update for Hospital Outpatient and Ambulatory Surgical Center (ASC)  
Services  
(Effective June 1, 2017)**

1. Data Sources

- a. The Medicare 2017 update to the hospital outpatient prospective payment system was published on November 14, 2016 in the Federal Register (Vol. 81 FR 79562) and is entitled " Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; Organ Procurement Organization Reporting and Communication; Transplant Outcome Measures and Documentation Requirements; Electronic Health Record (EHR) Incentive Programs; Payment to Nonexcepted Off-Campus Provider-Based Department of a Hospital; Hospital Value-Based Purchasing (VBP) Program; Establishment of Payment Rates Under the Medicare Physician Fee Schedule for Nonexcepted Items and Services Furnished by an Off-Campus Provider-Based Department of a Hospital " (CMS-1656-FC). Corrections to the final rule were published on January 3, 2017, in the Federal Register (Vol. 82 FR 24, CMS-1656-CN; Correction and Extension of Comment Period). The wage index values were published in a separate notice on August 22, 2016 in the Federal Register (Vol. 81 FR 56762) 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 2017 Rates; Quality Reporting Requirements for Specific Providers; Graduate Medical Education; Hospital Notification Procedures Applicable to Beneficiaries Receiving Observation Services; Technical Changes Relating to Costs to Organizations and Medicare Cost Reports; Finalization of Interim Final Rules With Comment Period on LTCH PPS Payments for Severe Wounds, Modifications of Limitations on Redesignation by the Medicare Geographic Review Board, and Extensions of Payments to MDHs Low-Volume Hospitals" (CMS-1655-F). Corrections to the final rule were published on October 5, 2016, in the Federal Register (Vol. 81 FR 68947, CMS-1655; Final rule; correction).
- b. The Federal Register documents are available at <http://www.cms.hhs.gov/HospitalOutpatientPPS/> and <http://www.cms.hhs.gov/AcuteInpatientPPS/>.

2. Title 8 CCR §9789.30:

- a. For services rendered on or after June 1, 2017, the unadjusted conversion factor means the OMFS conversion factor for 2016 of \$76.424 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 June 1, 2017, "APC Payment Rate" means CMS' hospital outpatient prospective payment system rate for Calendar Year 2017 as set forth in the Federal Register on November 14, 2016 (CMS-1656-FC) and correction to the final rule set forth in the Federal Register on January 3, 2017 (CMS-1656-CN), Addendum B, dated April 2017 – updated: 03/28/2017, which document is found on the CMS web site at: <http://www.cms.gov/HospitalOutpatientPPS>. See section 9789.39 for the Federal Register reference to the APC payment rate by date of service.
- c. For services rendered on or after June 1, 2017, "APC Relative Weight" means CMS' APC relative weight as set forth in the Federal Register on November 14, 2016 (CMS-1656-FC) and correction to the final rule set forth in the Federal Register on January 3, 2017 (CMS-1656-CN), Addendum B, dated April 2017 – updated: 03/28/2017, which document is found on the CMS web site at: <http://www.cms.gov/HospitalOutpatientPPS>. See section 9789.39 for the Federal Register reference to the APC relative weight by date of service.
- d. For services rendered on or after June 1, 2017, "Market Basket Inflation Factor" means 2.7%, the market basket percentage increase determined by CMS for FY 2017. See 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 June 1, 2017, "Wage Index" means CMS' wage index for urban, rural and hospitals that are reclassified as described in CMS' 2017 Hospital Outpatient Prospective Payment System (HOPPS) final rule of November 14, 2016 (CMS-1656-FC) and correction to the final rule of January 3, 2017 (CMS-1656-CN). The wage index values are specified in the Hospital Inpatient Prospective Payment Systems final rule of August 22, 2016 (CMS-1655-F) and corrections to the final rule of October 5, 2016 (CMS-1655-F; correction), Table 2, which documents are found on the CMS web site at: <http://www.cms.gov/AcuteInpatientPPS/>. See section 9789.39 for the Federal Register 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 June 1, 2017, the following are incorporated by reference:

- a. The Centers for Medicare and Medicaid Services (CMS) 2017 Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems adopted for the Calendar Year 2017, published in the Federal Register on November 14, 2016 (CMS-1656-FC) and correction to the final rule set forth in the Federal Register on January 3, 2017 (CMS-1656-CN), Addenda A, column A of AA, B, D1, D2, E, column A of EE, J, L, M, and P. See <http://www.cms.hhs.gov/HospitalOutpatientPPS>. The payment system includes:
  1. Addendum A “Final OPSS APCs for CY 2017” (April 2017 – updated 3/20/2017; [april\\_2017\\_web\\_addendum\\_a\\_03202017](#))

2. Addendum AA “Final ASC Covered Surgical Procedures for CY 2017 (Including Surgical Procedures for Which Payment is Packaged)”, Column A (April 2017; april\_2017\_asc\_addenda\_rev\_20170329)
3. Addendum B “Final OPSS Payment by HCPCS Code for CY 2017” (April 2017 – updated 3/28/2017; april\_2017\_web\_addendum\_b.03.28.17)
4. Addendum D1 “Final OPSS Payment Status Indicators for CY 2017” (2017 Final Addendum D1.10.11.16)
5. Addendum D2 “Final OPSS Comment Indicators for CY 2017” (2017 Final Addendum D2.10.11.16)
6. Addendum E “Final HCPCS Codes that Would Be Paid Only as Inpatient Procedures for CY 2017” (2017 Final Addendum E.10.20.16)
7. Addendum EE “Final Surgical Procedures to be Excluded from Payment in ASCs for CY 2017”, Column A (April 2017; april\_2017\_asc\_addenda\_rev\_20170329)
8. Addendum J “Comprehensive APCs (including Addendum J2)” (2017 NFRM Addendum J 2016 12.05.16)
9. Addendum L “Out-Migration Adjustment for CY 2017” (2017 Final OPSS Addendum L)
10. Addendum M “Final HCPCS Codes for Assignment to OPSS Composite APCs for CY 2017” (2017 Final Addendum M.10.20.16)
11. Addendum P “Final Device-Intensive Procedures for CY 2017” (2017 Final Addendum P)

- b. The American Medical Associations’ Physician “*Current Procedural Terminology*”, 4th Edition, Revised 2017.
- c. The CMS’ 2017 Alphanumeric “*Healthcare Common Procedure Coding System* (HCPCS)”.
- d. The Centers for Medicare and Medicaid Services’ (CMS) FY 2017 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2017, published on August 22, 2016 in the Federal Register (Vol. 81 FR 56762) and correction to the final rule, Table 2 and Table 3, which documents are found at <http://www.cms.hhs.gov/AcuteInpatientPPS/>.
- e. The Fiscal Year 2017 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 2017 rates to determine the updated

OMFS amounts, the estimated increase in the hospital market basket was applied to the 2016 OMFS rate.

b. OMFS conversion factor for hospital outpatient services

1. The 2016 unadjusted conversion factor was \$76.424. The estimated increase in the market basket is 2.7%. The revised unadjusted conversion factor under the OMFS is \$78.488 ( $\$76.424 \times 1.027$ ).

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.