

**OMFS Update for Physician and Non-Physician Practitioner Services
Explanation of Changes
(Effective January 1, 2018)**

1. Data Sources

The Medicare CY 2018 update to the Medicare physician fee schedule was published in the Federal Register on November 15, 2017 (82 Fed. Reg. 52976). It is entitled “Medicare Program; Revisions to Payment Policies Under the Physician Fee Schedule and Other Revisions to Part B for CY 2018; Medicare Shared Savings Program Requirements; and Medicare Diabetes Prevention Program” (CMS-1676-F). Hereafter, the final rule will be referenced as “CY 2018 Medicare Physician Fee Schedule Final Rule, CMS-1676-F.”

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

2. Revisions Adopted by Update Order to Conform to Medicare

Modifier “FY” (X-ray taken using computed radiography)

Title 8 CCR §9789.17.3(b): This subdivision is added to reflect CMS’ adoption of modifier “FY” (X-ray taken using computed radiography). Effective January 1, 2018, claims for X-rays using computed radiography must include Modifier FY, which will result in a payment reduction by 7 percent of a Technical Component–only service and reduction by 7 percent of the Technical Component of a global service. For services subject to both the MPPR and the FY modifier reduction on imaging, the FY modifier reduction should be applied before the MPPR for radiology diagnostic imaging procedures.

Update Table

Title 8 CCR §9789.19: A new subdivision (e) is added, adopting updates for services rendered on or after January 1, 2018, to conform to Medicare changes, as follows:

Adjustment Factors	<p>Updated for 2018, to include the relevant 2018 Medicare adjustment factors:</p> <p>From CY 2018 Medicare Physician Fee Schedule Final Rule, CMS-1676-F:</p> <p>2018 Relative Value Unit budget neutrality adjustment factor: 0.9990 [Table 48]</p>
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	<p>2018 Annual increase in the MEI: 1.014 [82 Fed. Reg. 53014]</p> <p>The 2017 cumulative adjustment factor for all services other than anesthesia was 1.0933 and 1.0433 for anesthesia. [8 CCR §9789.19(d)]</p> <p>The 2018 cumulative adjustment factor for all services other than anesthesia is 1.1075 and 1.0604 for anesthesia.</p> <p>[See detailed explanation set forth below this table.]</p>
Anesthesia Base Units by CPT Code	The anesthesia base units for 2018 are found in “cms1676f_cy_2018_anesthesia_base_units.xlsx.”
California-Specific Codes	The maximum fee for each of these codes has been updated by the MEI 1.4% increase (1.014) pursuant to section 9789.12.14.
CCI Edits: Medically Unlikely Edits	For services rendered on or after October 1, 2017, use: “Practitioner Services MUE Table – Effective 10/1/2017.”
CCI Edits: National Correct Coding Initiative Policy Manual for Medicare Services	Updated to the CMS’ 2018 annual manual.
CCI Edits: Physician CCI Edits (Practitioner PTP Edits)	Updated to January 1, 2018.
CMS’ Medicare National Physician Fee Schedule Relative Value File [Zip]	Updated to the CMS’ 2018 RVU18A.
Conversion Factors adjusted for MEI and Relative Value Scale adjustment factor	<p>Updated the conversion factors in accordance with subdivision (c) of 8 CCR §9789.12.5. The 2018 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® 2018.

Current Procedural Terminology CPT codes that shall not be used	CPT code 97127 was added as a code that shall not be used. Instead, HCPCS code G0515 should be used.
Diagnostic Cardiovascular Procedure CPT codes subject to the MPPR	Updated to 2018.
Diagnostic Imaging Family Indicator Description	Unchanged.
Diagnostic Imaging Family Procedures Subject to the MPPR	Updated to 2018.
Diagnostic Imaging Multiple Procedures Subject to the MPPR	Updated to 2018.
DWC Pharmaceutical Fee Schedule	Sets forth reference to DWC pharmaceutical fee schedule web page, which is unchanged from 2017.
Health Professional Shortage Area zip code data files	Updated to 2018 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 2017.
Incident To Codes	Updated to 2018.
Medi-Cal Rates – DHCS	For services rendered on or after December 15, 2017, use: Medi-Cal Rates file – Updated 12/15/2017. [The 12/15/2017 Medi-Cal rates file will be available on approximately December 16, 2017.] The Medi-Cal rates file will be updated monthly by Administrative Director’s posting order. Medi-Cal rates are updated as of the 15 th of each month, posted to the Medi-Cal website on the 16 th of each month, and posted to the DWC website as soon as feasible.
Ophthalmology Procedure CPT codes subject to the MPPR	Updated to 2018.
Physical Therapy Multiple Procedure Payment Reduction:	Updated to 2018 Medicare list of “Always Therapy Codes”. In addition, retain the

“Always Therapy” Codes; and Acupuncture and Chiropractic Codes	acupuncture codes and chiropractic manipulation codes, which are unchanged from 2017.
Physician Time	Updated to 2018
Statewide GAFs (Other than anesthesia)	The statewide GAFs were updated to reflect the transition to payment localities based on Metropolitan Statistical Areas and 2015 WCIS data. Average Statewide Work GAF: 1.041 Average Statewide Practice Expense GAF: 1.166 Average Statewide Malpractice Expense GAF: 0.605 [See detailed explanation set forth below this table.]
Statewide GAF (Anesthesia)	The statewide GAF was updated to reflect the transition to payment localities based on Metropolitan Statistical Areas and 2015 WCIS data. Average Statewide Anesthesia GAF: 1.034 [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 2017.
The 1995 Documentation Guidelines for Evaluation & Management Services	Sets forth reference to the 1995 Documentation Guidelines web page, which is unchanged from 2017.
The 1997 Documentation Guidelines for Evaluation and Management Services	Sets forth reference to the 1997 Documentation Guidelines web page, which is unchanged from 2017.

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

- a. The 2018 annual increase in the Medicare Economic Index (MEI) is 1.4%. (CY 2018 Medicare Physician Fee Schedule Final Rule, CMS-1676-F (82 Fed. Reg. 52976.)) The MEI is an input price index that accounts for annual changes in the various resources involved in providing physician services.
- b. The 2018 Relative Value Scale (RVS) adjustment factors:
 - 1) The RVS adjustment factor for all services other than anesthesia for 2018 is the Medicare 2018 RVU budget neutrality adjustment (0.9990) (CY 2018 Medicare Physician Fee Schedule Final Rule, CMS-1676-F, Table 48).
 - 2) The RVS adjustment factor for anesthesia for 2018 is the product of the Medicare 2018 RVU budget neutrality adjustment (0.9990), and the 2018 anesthesia practice expense and malpractice adjustment (1.0034). (CY 2018 Medicare Physician Fee Schedule Final Rule, CMS-1676-F, Tables 49). The RVS adjustment factor for anesthesia is (0.9990×1.0034) , which equals to 1.0024.
 - 3) The “Update Factor” of 0.50 percent and the CY 2018 Target Recapture Amount of -0.09 percent in Table 48 and Table 49 of CY 2018 Medicare Physician Fee Schedule Final Rule, CMS-1676-F 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 2018 are shown in Column E of Table 1 and are the products of the MEI and RVS adjustment factors for 2017 and 2018.
 - 1) The 2017 cumulative adjustment factor for all services other than anesthesia is 1.0933.
The 2018 annual adjustment factor is $1.014 \times 0.9990 = 1.012986$.
The 2018 cumulative adjustment factor is $1.012986 \times 1.0933 = 1.1075$.
 - 2) The 2017 cumulative adjustment factor for anesthesia is 1.0433.
The 2018 annual adjustment factor is $1.014 \times 0.9990 \times 1.0034 = 1.01643$.
The 2018 cumulative adjustment factor is $1.01643 \times 1.0433 = 1.0604$.

Table 1* Derivation of the Cumulative Adjustment Factors Applied to the Unadjusted 2018 CFs set forth in §9789.12.5(b)(2)

Type of Service	2017 Cumulative Adjustment Factor	2018 Adjustment Factors			2018 Cumulative Adjustment Factor
	(A)	(B) MEI	(C) RVS BN	(D) Total Annual Adjust. Factor (B) x (C)	(E) (A) x (D)
Anesthesia	1.0433	1.014	1.0024 (0.9990 x 1.0034)	1.01643	1.0604
All services other than anesthesia	1.0933	1.014	0.9990	1.012986	1.1075

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

- d. The unadjusted 2018 CFs are set forth in §9789.12.5(b)(2) and are “120 percent of the Medicare 2012 CF”. The 2018 CFs adjusted for the cumulative change in the MEI and RVS adjustment factors are shown in Table 2.

Table 2* 2018 Unadjusted CFs, Cumulative Adjustment Factors and 2018 Adjusted CFs

Type of Service	Unadjusted 2018 CF	Cumulative Adjustment Factor (from Table 1 Column E)	2017 Adjusted CF
	(A)	(B)	(C) (A) x (B)
Anesthesia	25.6896	1.0604	27.2415
All services other than anesthesia	40.8451	1.1075	45.2371

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

- e. *Statewide Average GAFs* - The Division has evaluated the need to update the statewide geographic adjustment factors (GAFs) based on the CMS’ 2018 California locality-specific geographic practice cost indices (GPCIs) and 2015 WCIS data. 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.

Beginning in 2017, pursuant to the Protecting Access to Medicare Act (PAMA), California payment localities transitioned to Metropolitan Statistical Areas, to be phased in over a 6-year period. The number of payment localities increase from 9

under the previous locality structure to 27 under the MSA-based locality structure.

However, both the current localities and the MSA-based localities are comprised of various component counties, and in some localities only some of the component counties are subject to the blended phase-in and hold harmless provisions required by the Act. Although the modifications to California’s locality structure increase the number of localities from 9 under the current locality structure, to 27 under the MSA-based locality structure, for purposes of payment, the actual number of localities under the MSA-based locality structure would be 32 to account for instances where unique locality numbers are needed. Additionally, for some of these new localities, PAMA requires that the geographic practice cost index GPCI values that would be realized under the new MSA-based locality structure are gradually phased in (in one-sixth increments) over a period of 6 years. For California workers’ compensation, the Statewide GAFs were calculated based on the 32 localities and 2015 WCIS data.

The adjusted average statewide GAFs for services other than anesthesia are:

- Average Statewide Work GAF: 1.041
- Average Statewide Practice Expense GAF: 1.166
- Average Statewide Malpractice Expense GAF: 0.605

The average statewide anesthesia GAF is a weighted average of the locality-specific anesthesia GAF calculated using the CMS’ 2018 [anesthesia cost shares](https://www.cms.gov/Center/Provider-Type/Anesthesiologists-Center.html) available at: <https://www.cms.gov/Center/Provider-Type/Anesthesiologists-Center.html>. The three anesthesia cost shares are contained in the folder “2018 Anesthesia Conversion Factors [ZIP, 19KB]” in the excel document “CMS-1676-F CY 2018 Anesthesia Conversion Factors” in the “Anesthesia Shares” excel sheet. These cost shares are:

2018 Anesthesia Shares

Work	PE	MP
0.783	0.156	0.061

The weighting factor is each locality’s estimated share of allowances for anesthesia services. The calculated 2018 Average Statewide Anesthesia GAF is: 1.034.