

**OMFS Update for Outpatient Hospital and Ambulatory Surgical Center (ASC)  
Services  
(Effective March 1, 2012)**

1. Data Sources

a. The Medicare 2012 update to the hospital outpatient prospective payment system was published on November 30, 2011 in the Federal Register (Vol. 76 FR 74122) and is entitled "Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment; Ambulatory Surgical Center Payment; Hospital Value-Based Purchasing Program; Physician Self-Referral; and Patient Notification Requirements in Provider Agreements" (CMS-1525-FC). A correction of the final rule was published on January 4, 2012 in the Federal Register (Vol. 77 FR 217) and is entitled "Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment; Ambulatory Surgical Center Payment; Hospital Value-Based Purchasing Program; Physician Self-Referral; and Patient Notification Requirements in Provider Agreements; Corrections" (CMS-1525-CN). The wage index values were published in a separate notice on August 18, 2011 in the Federal Register (Vol. 76 FR 51476) and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and FY2012 Rates; Hospitals' FTE Resident Caps for Graduate Medical Education Payment" (CMS-1518-F). A correction to the final rule was published on September 26, 2011, in the Federal Register (Vol. 76 FR 59263), and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Fiscal Year 2012 Rates; Hospitals' FTE Resident Caps for Graduate Medical Education Payment; Corrections" (CMS-1518-CN3).

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](http://www.cms.hhs.gov/AcuteInpatientPPS/03_wageindex.asp#TopOfPage)

2. The fixed-dollar outlier threshold is \$2,025.00 for services rendered after March 1, 2012.

3. Title 8 CCR §9789.30 is amended as follows:

- a. For services rendered on or after March 1, 2012, the adjusted conversion factor means the OMFS' conversion factor for 2011 of \$66.959 x the market basket inflation factor 1.03 x (0.4 + (0.6 x wage index)).
- b. For services rendered on or after March 1, 2012, "APC Payment Rate" means CMS' hospital outpatient prospective payment system rate for Calendar Year 2012 as set forth in the Federal Register on November 30, 2011 (CMS-1525-FC), 76 FR 74122, Addendum B, conformed to comply with correction of the final rule published on January 4, 2012 (CMS-1525-

CN, 77 FR 217), page 218, which document is found on the CMS web site at: <http://www.cms.gov/HospitalOutpatientPPS>.

- c. For services rendered on or after March 1, 2012, "APC Relative Weight" means CMS' APC relative weight as set forth in CMS' hospital outpatient prospective payment system for the Calendar Year 2012 as set forth in the Federal Register on November 30, 2011 (CMS-1525-FC), 76 FR 74122, Addendum B conformed to comply with correction of the final rule published on January 4, 2012 (CMS-1525-CN, 77 FR 217), page 218, which document is found on the CMS web site at: <http://www.cms.gov/HospitalOutpatientPPS>.
- d. For services rendered on or after March 1, 2012, "Market Basket Inflation Factor" means 3.0%, the market basket percentage increase determined by CMS for FY 2012.
- e. For services rendered on or after March 1, 2012, "Wage Index" means CMS' wage index for urban, rural and hospitals that are reclassified as described in CMS' 2012 Hospital Outpatient Prospective Payment System (HOPPS) final rule of November 30, 2011, adopted for Calendar Year 2012, published in the Federal Register (CMS-1525-FC, 76 FR 74122), at pages 74190 through 74193. The wage index values are specified in the Hospital Inpatient Prospective Payment Systems published in the Federal Register of August 18, 2011, Vol.76, No. 160, 51476 (CMS-1518-F), Table 4A for certain urban areas by CBSA and by state, Table 4B for certain rural areas by CBSA and by state, and Table 4C for certain reclassified hospitals by CBSA and state, which documents are found on the CMS web site at: <http://www.cms.gov/AcuteInpatientPPS/>.

4. Title 8 CCR §9789.31 is amended as follows:

For services rendered on or after March 1, 2012, §9789.31 is amended to incorporate by reference the following:

a. The Centers for Medicare and Medicaid Services' (CMS) 2012 Hospital Outpatient Prospective Payment System (HOPPS), adopted for the Calendar Year 2012, published in the Federal Register on November 30, 2011 Volume 76, No. 230, 74122 (CMS-1525-FC) Addenda A, B, D1, D2, E, L, and M; and correction to the final rule published in the Federal Register on January 4, 2012, Vol. 77, No. 2, 217 (CMS-1525-CN). See <http://www.cms.hhs.gov/HospitalOutpatientPPS> . The payment system includes:

1.

- 1) Addendum A "Final OPSS APCs for CY 2012"
- 2) Addendum B "Final OPSS Payment by HCPCS Code for CY 2012"
- 3) Addendum D1 "Final OPSS Payment Status Indicators For CY 2012"
- 4) Addendum D2 "Final OPSS Comment Indicators For CY 2012"
- 5) Addendum E "Final HCPCS Codes That Are Paid Only as Inpatient Procedures for CY 2012"

- 6) Addendum L “Final Rule CY 2012 OPSS Out-Migration Adjustment”
- 7) Addendum M “Final HCPCS Codes for Assignment to Composite APCs for CY 2012”.
2. The American Medical Association’s Physician “*Current Procedural Terminology*”, 4th Edition, Revised 2012.
3. The CMS’ 2012 Alphanumeric “*Healthcare Common Procedure Coding System (HCPCS)*”.
4. The Centers for Medicare and Medicaid Services’ (CMS) FY 2012 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2012, published in the Federal Register on August 18, 2011, Vol.76, No. 160, (CMS-1518-F), Table 2; Table 4A; Table 4B; Table 4C; and Table 4J which documents are found at <http://www.cms.hhs.gov/AcuteInpatientPPS/>.
5. The Fiscal Year 2012 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/>

## 5. 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 2012 rates to determine the updated OMFS amounts, the estimated increase in the hospital market basket was applied to the 2011 OMFS rate.
- b. OMFS conversion factor for hospital outpatient services
  1. The 2011 unadjusted conversion factor was \$66.959. The estimated increase in the market basket is 3.0%. The revised unadjusted conversion factor under the OMFS is \$68.968 ( $\$66.959 \times 1.03$ ).

## 6. 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 March 1, 2012. 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 March 1, 2012. 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 30, 2011 in the Federal Register (Vol. 76 FR 74122) and is entitled "Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment; Ambulatory Surgical Center Payment; Hospital Value-Based Purchasing Program; Physician Self-Referral; and Patient Notification Requirements in Provider Agreements" (CMS-1525-FC); and the correction of the final rule published on January 4, 2012 in the Federal Register (Vol. 77 FR 217) and is entitled "Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment; Ambulatory Surgical Center Payment; Hospital Value-Based Purchasing Program; Physician Self-Referral; and Patient Notification Requirements in Provider Agreements; Corrections" (CMS-1525-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 18, 2011 in the Federal Register (Vol. 76 FR 51476) and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and FY2012 Rates; Hospitals' FTE Resident Caps for Graduate Medical Education Payment" (CMS-1518-F); and the correction to the final rule published on September 26, 2011, in the Federal Register (Vol. 76 FR 59263), and is entitled "Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Fiscal Year 2012 Rates; Hospitals' FTE Resident Caps for Graduate Medical Education Payment; Corrections" (CMS-1518-CN3).

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

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