

**OMFS Update for Outpatient Hospital and Ambulatory Surgical Center (ASC)  
Services  
(Effective March 1, 2008)**

1. Data Sources

- a. The Medicare 2008 update to the hospital outpatient prospective payment system was published on November 27, 2007 in the Federal Register (Vol. 72 FR 66580) and is entitled "Medicare Program: Changes to the Hospital Outpatient Prospective Payment System and CY 2008 Payment Rates, the Ambulatory Surgical Center Payment System and CY 2008 Payment Rates, the Hospital Inpatient Prospective Payment System and FY 2008 Payment Rates; and Payments for Graduate Medical Education for Affiliated Teaching Hospitals in Certain Emergency Situations Medicare and Medicaid Programs; Hospital Conditions of Participation; Necessary Provider Designations of Critical Access Hospitals" (CMS-1392-FC, CMS-1533-F2, and CMS-1531-IFC2). The wage index values were published in a separate notice on August 22, 2007 in the Federal Register (Vol. 72 FR 47130) and is entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2008 Rates; Final Rule" (CMS-1533-FC). A correction to the hospital inpatient prospective payment systems final rule was published on October 10, 2007, in the Federal Register (Vol. 72 FR 57634), and is entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2008 Rates; Correction; Final Rule" (CMS-1533-CN2). A second correction to the hospital inpatient prospective payment systems final rule was published on November 6, 2007, in the Federal Register (Vol. 72 FR 62585), and is entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2008 Rates; Correction" (CMS-1533-CN3). A notice to the hospital inpatient prospective payment systems final rule was published on November 27, 2007 in the Federal Register (Vol. 72, No. 227, FR 66580), entitled, "Medicare Program; Changes to the Hospital Outpatient Prospective Payment System and CY 2008 Payment Rates, the Ambulatory Surgical Center Payment System and CY 2008 Payment Rates, the Hospital Inpatient Prospective Payment System and FY 2008 Payment Rates; and Payments for Graduate Medical Education for Affiliated Teaching Hospitals in Certain Emergency Situations Medicare and Medicaid Programs; Hospital Conditions of Participation; Necessary Provider Designations of Critical Access Hospitals" (CMS-1392-FC, CMS-1533-F2, and CMS-1531-IFC2).
- 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 in a PDF file at

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

2. In addition to amendments made to Title 8 CCR §9789.30 as described in paragraph 6 below, §9789.30 is further amended to update the “APC Payment Rate”, “APC Relative Weight”, and “Wage Index” for the first update occurring in each calendar year subsequent to calendar year 2004, and adds the definition of “outlier threshold” effective with the July 15, 2005 update and update occurring in each subsequent calendar year. The outlier threshold is \$1,575.00 for services rendered after March 1, 2008.
3. Title 8 CCR §9789.31 is amended as follows:
  - a. For services rendered on or after March 1, 2008, §9789.31 is amended to incorporate by reference the following:
    1. The Centers for Medicare and Medicaid Services’ (CMS) 2008 Hospital Outpatient Prospective Payment System (HOPPS), for the Calendar Year 2008, published in the Federal Register on November 27, 2007 Volume 72, No. 227, Addenda A, B, D1, D2, E, L, and M found within pages 66934 through 67225 (CMS-1392-FC). See <http://www.cms.hhs.gov/HospitalOutpatientPPS> . The payment system includes:
      - i. Addendum A “OPPS APCs for CY 2008.”
      - ii. Addendum B “OPPS Payment By HCPCS Code for CY 2008.”
      - iii. Addendum D1 “OPPS Payment Status Indicators”
      - iv. Addendum D2 “OPPS Comment Indicators.”
      - v. Addendum E “HCPCS Codes That Are Paid Only as Inpatient Procedures for CY 2008”
      - vi. Addendum L “Out-Migration Wage Adjustment”
      - vii. Addendum M “HCPCS Codes for Assignment to Composite APCs for CY 2008”
    2. The American Medical Associations’ Physician “*Current Procedural Terminology*”, 2008 Edition.
    3. The CMS’ 2008 Alphanumeric “*Healthcare Common Procedure Coding System (HCPCS)*”.
    4. The Centers for Medicare and Medicaid Services’ (CMS) FY 2008 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2008, published in the Federal Register on October 10, 2007, Vol.72, No. 195, Tables 4A (pages 57698 through 57721) and 4B (pages 57721 through 57722) (CMS-1533-CN2). The Centers for Medicare and Medicaid Services’ (CMS) FY 2008 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for Fiscal Year 2008, Table 4J published in the Federal Register on August 22, 2007, Vol. 72, No. 162 (pages 47531 through 47539) (CMS

1533-FC) and correction published in the Federal Register on October 10, 2007, Vol.72, No. 195 (pages 57726 through 57727) (CMS-1533-CN2).

5. The Fiscal Year 2008 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 2008 rates to determine the updated OMFS amounts, the estimated increase in the hospital market basket was applied to the 2007 OMFS rate.
- b. OMFS conversion factor for hospital outpatient services
  1. The 2007 unadjusted conversion factor was \$59.728. The estimated increase in the market basket is 3.3%. The revised unadjusted conversion factor under the OMFS is \$61.699 ( $\$59.728 \times 1.033$ ).

#### 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 March 1, 2008. Table B reflects the additional 7.1% payment adjustment for services rendered by rural sole community hospitals.
6. 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, 2008. 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 27, 2007 in the Federal Register (Vol. 72 FR 66580) and is entitled Medicare Program: Changes to the Hospital Outpatient

Prospective Payment System and CY 2008 Payment Rates, the Ambulatory Surgical Center Payment System and CY 2008 Payment Rates, the Hospital Inpatient Prospective Payment System and FY 2008 Payment Rates; and Payments for Graduate Medical Education for Affiliated Teaching Hospitals in Certain Emergency Situations Medicare and Medicaid Programs; Hospital Conditions of Participation; Necessary Provider Designations of Critical Access Hospitals" (CMS-1392-FC, CMS-1533-F2, and CMS-1531-IFC2). 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 22, 2007 in the Federal Register (Vol. 72 FR 47130) and is entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2008 Rates; Final Rule" (CMS-1533-FC). A correction to the hospital inpatient prospective payment systems final rule was published on October 10, 2007, in the Federal Register (Vol. 72 FR 57634), and is entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2008 Rates; Correction; Final Rule" (CMS-1533-CN2). A second correction to the hospital inpatient prospective payment systems final rule was published on November 6, 2007, in the Federal Register (Vol. 72 FR 62585), and is entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2008 Rates; Correction" (CMS-1533-CN3). A notice to the hospital inpatient prospective payment systems final rule was published on November 27, 2007 in the Federal Register (Vol. 72, No. 227, FR 66580), entitled, "Medicare Program; Changes to the Hospital Outpatient Prospective Payment System and CY 2008 Payment Rates, the Ambulatory Surgical Center Payment System and CY 2008 Payment Rates, the Hospital Inpatient Prospective Payment System and FY 2008 Payment Rates; and Payments for Graduate Medical Education for Affiliated Teaching Hospitals in Certain Emergency Situations Medicare and Medicaid Programs; Hospital Conditions of Participation; Necessary Provider Designations of Critical Access Hospitals" (CMS-1392-FC, CMS-1533-F2, and CMS-1531-IFC2).

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

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