

**OMFS Update for Outpatient Hospital and Ambulatory Surgical Center (ASC)
Services
(Effective February 15, 2006)**

1. Data Sources

a. The Medicare 2006 update to the outpatient prospective payment system was published on November 10, 2005 in the Federal Register (Vol. 70 FR 68515-69040) and is entitled "Medicare Program; Changes to the Hospital Outpatient Prospective Payment Systems and Calendar Year 2006 Payment Rates; Final Rule" (CMS-1501-FC); and correction notice was published on December 23, 2005 (Vol. 70 FR 76176-76196) entitled "Medicare Program; Changes to the Hospital Outpatient Prospective Payment System and Calendar Year 2006 Payment Rates; Correction" (CMS-1501-CN2). The wage index values were published on August 12, 2005 in a separate notice (Vol.70 FR 47278-47707) entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2006 Rates; Final Rule" (CMS-1500-F); and correction notice was published on September 29, 2005 (Vol. 70 FR 57161-57164) entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2006 Rates; Correction" (CMS-1500-CN).

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

2. In addition to amendments made to Title 8 CCR §9789.30 as described in paragraph 7 below, §9789.30 is further amended to update the "Adjusted Conversion Factor" and "Market Basket Inflation Factor" for the first update occurring in each calendar year subsequent to calendar year 2004. In addition, §9789.30 adds the definition of "sole community hospital" in conformance with the Federal regulations applicable to CMS' hospital inpatient prospective payment system. (Title 42 of the Code of Federal Regulations section 412.92) Finally, §9789.30 is amended to conform to updates made to the adjusted conversion factor for a rural sole community hospital by adding an additional 7.1% payment adjustment.

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

a. For services rendered on or after July 15, 2005, §9789.31 is amended to

1. Reflect CMS' new website address;

2. In addition to the documents incorporated by reference in the Administrative Director's Order dated June 13, 2005, effective for services rendered on or after July 15, 2005, the following are incorporated by reference:
 - i. The Centers for Medicare and Medicaid Services' (CMS) FY 2005 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2005, published in the Federal Register on December 30, 2004, Volume 69, No. 250, Tables 4A₁ and 4A₂ (pages 78619 through 78660), Tables 4B₁ and 4B₂ (pages 78660 through 78662), and Table 4J (pages 78691 through 78694) (CMS-1428-F2) including revisions and corrections as of July 15, 2005; and
 - ii. The Fiscal Year 2005 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/>.
- b. For services rendered on or after February 15, 2006, §9789.31 is amended to incorporate by reference the following:
 1. The Centers for Medicare and Medicaid Services' (CMS) 2006 Hospital Outpatient Prospective Payment System (HOPPS), for the Calendar Year 2006, published in the Federal Register on November 10, 2005 Volume 70, No. 217, Addenda A through E, and L, pages 68729 through 68980 (CMS-1501-FC), and correction notice published on December 23, 2005 Volume 70, No. 246, pages 76176 through 76196 (CMS-1501-CN2). See <http://www.cms.hhs.gov/HospitalOutpatientPPS> . The payment system includes:
 - i. Addendum A "List of Ambulatory Payment Classifications (APCs) with Status Indicators, Relative Weights, Payment Rates, and Copayment Amounts Calendar Year 2006."
 - ii. Addendum B "Payment Status by HCPCS Code and Related Information Calendar Year 2006."
 - iii. Addendum D1 "Payment Status Indicators for the Hospital Outpatient Prospective Payment System."
 - iv. Addendum D2 "Comment Indicators."
 - v. Addendum E "CPT Codes That Are Paid Only As Inpatient Procedures."
 - vi. Addendum L "Out-Migration Wage Adjustment for CY 2006."
 2. The American Medical Associations' Physician "*Current Procedural Terminology*", 2006 Edition.
 3. The CMS' 2006 Alphanumeric "*Healthcare Common Procedure Coding System (HCPCS)*".
 4. The Centers for Medicare and Medicaid Services' (CMS) FY 2006 Hospital Inpatient Prospective Payment Systems (IPPS),

adopted for the Fiscal Year 2006, published in the Federal Register on August 12, 2005, Volume 70, No. 155, Tables 4A (pages 47580 through 47603), 4B (pages 47603 through 47604), and 4J (pages 47609 through 47617) (CMS-1500-F) including revisions and corrections as of February 15, 2006.

5. The Fiscal Year 2006 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 2006 rates to determine the updated OMFS amounts, the estimated increase in the hospital market basket was applied to the 2005 OMFS rate.
- b. OMFS conversion factor for hospital outpatient services
 1. The 2005 unadjusted conversion factor was \$55.703. The estimated increase in the market basket is 3.7%. The revised unadjusted conversion factor under the OMFS is \$57.764 ($\55.703×1.037).

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. Table B reflects the additional 7.1% payment adjustment for services rendered by rural sole community hospitals.
6. The formulas for calculating the maximum allowable payment for outpatient facility fees and the alternative payment methodology [Title 8, California Code of Regulations §9789.33(a) and (b)] are changed to accommodate updated values and the rural SCH adjustment factor. The outlier threshold is \$1,250.00 for services rendered after February 15, 2006.
 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 correction notices and revisions) and Federal Regulations in effect as of the date the Order becomes effective, for services rendered on or after February 15, 2006. 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 10, 2005 in the Federal Register (Vol. 70 FR 68515-69040) and is entitled "Medicare Program; Changes to the Hospital Outpatient Prospective Payment Systems and Calendar Year 2006 Payment Rates; Final Rule" (CMS-1501-FC); and correction notice published on December 23, 2005 (Vol. 70 FR 76176-76196) entitled "Medicare Program; Changes to the Hospital Outpatient Prospective Payment System and Calendar Year 2006 Payment Rates; Correction" (CMS-1501-CN2). 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 12, 2005 in the Federal Register (Vol.70 FR 47278-47707) entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2006 Rates; Final Rule" (CMS-1500-F), and correction notice published on September 29, 2005 (Vol. 70 FR 57161-57164) entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2006 Rates; Correction" (CMS-1500-CN).

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

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