

**OMFS Update for Physician and Other Practitioner Services
(Effective January 1, 2014)**

1. Data Sources

- a. The Medicare 2014 update to the Medicare physician fee schedule was displayed at the Federal Register on November 27, 2013 and was published on December 10, 2013. It is entitled "Revisions to Payment Policies under the Physician Fee Schedule, Clinical Laboratory Fee Schedule and Other Revisions to Part B for CY 2014 (CMS-1600-FC).
- b. The Federal Register document and supporting files are available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/PFS-Federal-Regulation-Notices-Items/CMS-1600-FC.html?DLPage=1&DLSort=3&DLSortDir=descending>.

2. Title 8 CCR §9789.19:

For services rendered on or after January 1, 2014,

- a. The 2014 annual increase in the Medicare Economic Index (MEI) is 0.8%. The MEI is an input price index that accounts for annual changes in the various resources involved in providing physician services.
- b. The Relative Value Scale (RVS) adjustment factor for anesthesia services is 1.0291 and 1.0477 for all services other than anesthesia. The 2014 RVS adjustment factors are the product of the RVU budget neutrality factor and RVU rescaling adjustment factors.
 1. The RVU budget neutrality factor to offset an estimated decrease in allowances due to the 2014 RVU changes is 1.00046. The same factor applies to anesthesia and all other services.
 2. The rescaling adjustment factor accounts for changes in the MEI cost shares. The MEI is an input price index that accounts for annual changes in the various resources involved in providing physician services. Revisions to the cost weights used in MEI increased the cost share for physician work and reduced the cost share for practice expenses. The RVUs for practice expenses and malpractice were rescaled (reduced) so that the proportion of RVUs attributable to these cost components is consistent with the revised MEI cost weights. The rescaling adjustment factor offsets the estimated decrease in allowances due to the 2014 rescaling of the RVUs so that rescaling does not change estimated aggregate allowances. For all services, the rescaling adjustment factor is 1.04718. For anesthesia, there is an additional anesthesia practice expense adjustment of .9823 to adjust the MEI rescaling factor to account for the lower cost share attributable to practice expense in the anesthesia conversion factor.
 3. The RVS adjustment factor for all services other than anesthesia is the product of the RVU budget neutrality factor and the rescaling adjustment factor. The RVS adjustment factor equals 1.0477 (1.00046 x 1.04718).

4. The RVS adjustment factor for anesthesia is the product of the RVU budget neutrality factor, the rescaling adjustment factor and the anesthesia practice expense adjustment factor. The RVS adjustment factor equals 1.0291 ($1.00046 \times 1.04718 \times .9823$).
- c. The cumulative adjustment to the conversion factors (CFs) between 2012 and 2014 are shown in Column G of Table 1 and are the products of the MEI and RVS adjustment factors for 2013 and 2014.
 1. The 2013 anesthesia adjustment factor is 1.0073 ($1.008 \times .99932$). The 2014 adjustment factor is 1.0370 (1.008×1.0291). The 2014 cumulative adjustment factor is 1.0449 (1.0073×1.0370).
 2. The 2013 adjustment factor for all other services is 1.0073 ($1.008 \times .99932$). The 2014 adjustment factor is 1.0560 (1.008×1.0477). The 2014 cumulative percentage change is 1.0638 (1.0073×1.0560).

Table 1 Derivation of the Cumulative Adjustment Factors Applied to the Unadjusted 2014 CF

Type of Service	2013 Adjustment Factors			2014 Adjustment Factors			2014 Cumulative Adjustment Factor
	(A) MEI	(B) RVS BN	(C) Total (A) x (C)	(D) MEI	(E) RVS BN	(F) Total (D) x (E)	(G) (C) x (F)
Anesthesia	1.008	.99932	1.0073	1.008	1.0291 ($1.00046 \times 1.04718 \times .9823$)	1.0370	1.0449
All services other than anesthesia	1.008	.99932	1.0073	1.008	1.0477 (1.00046×1.04718)	1.0560	1.0638

- d. The unadjusted 2014 CFs are in §9789.12.5(b)(2) and are a blend of 75 percent of the OMFS budget neutral CF and 25 percent of 120 percent of the Medicare 2012 CF. The 2014 CFs adjusted for the cumulative change in the MEI and RVS adjustment factors are shown in Table 2.

Table 2 2014 Unadjusted CFs, Cumulative Adjustment Factors and Adjusted CFs

Type of Service	Unadjusted 2014 CF	Cumulative Adjustment Factor (from Table 1 Column G)	2014 Adjusted CF
Anesthesia	32.3651	1.0449	33.8190
Surgery	51.9750	1.0638	55.2913
Radiology	49.9188	1.0638	53.1039
All other services	36.0537	1.0638	38.3542

- e. The Division has updated the statewide geographic adjustment factors (GAFs) based on the 2014 revised locality-specific geographic practice cost index (GCPIs) set forth in Addendum E Geographic Practice Cost

Indices (GPCIs) CY2014 CMS 1600FC. 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. The average statewide anesthesia GAF is a weighted average of the locality-specific anesthesia GAF calculated using the anesthesia cost shares available at <http://www.cms.gov/Center/Provider-Type/Anesthesiologists-Center.html>. These cost shares are: work, .7645; practice expense, .1522, and .0833. The weighting factor is each locality's estimated share of allowances for anesthesia services.

1. Average Statewide Work GAF: 1.040
2. Average Statewide Practice Expense GAF: 1.1606
3. Average Statewide Malpractice Expense GAF: 0.6636
4. Average Statewide Anesthesia GAF: 1.0313