ALOHA!

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Disclosures

- Dr. Gonzalez has no disclosures
- Ms. Braga has no disclosures
Vaccines are the most cost-effective and successful preventative care modality we have in modern medicine!
Money saved on Direct Medical and Societal Costs

- Every vaccine saves money!
- $1 spent on MMR saves $21
- $1 spent on DTaP saves $24

- 2008 Measles outbreak in AZ’s Pima county cost:
  - 12,000 employee hours
  - 2,000 volunteer hours
  - Total cost of $836,556 for the outbreak!!

- 2005 survey: saved $10 billion in direct costs; $42 billion in societal costs
Concerning Surveys

- 2008 AAP survey: 11% of pediatric healthcare providers seriously considered ceasing to give vaccines.

- 2007 AzAAP Pediatric Council survey:
  - 8/10 practices lost money giving vaccines
  - 4/7 practices lost money administering vaccines
  - 5/7 practices lost money when vaccine and administration were added together
  - 6 practices lost money providing and administering vaccines from ALL payors surveyed
Concerning Surveys

- 2010 AzAAP/ AZ Partnership for Immunizations Survey:
  - 50% of AZ vaccine providers referred privately-insured patients to a location outside their practice for vaccinations
  - 46% referred so because they were not reimbursed adequately for the vaccine
Insurances’ Pediatric Costs in Arizona

- National AAP study 2008
  - Insurance cost $49.07/pediatric member
  - Of the $49.07, vaccines represented $4.68 (9.5%)

- A small amount compared to:
  - the money saved
  - the premiums paid
Health Care Payments

- Patients < 21 years of age account for 30% of the population\(^7\)
- They account for only 12% of the health care payments\(^8\)
Since 2008, the AzAAP Pediatric Council has met face-to-face with medical directors of major health insurers 6 times.

All meetings provided update on vaccines.

After each meeting, medical directors met individually with 2 Pediatric Council representatives to review plan-specific information.
Advocacy in Arizona – Letters & Emails

- Since 2008 AzAAP Pediatric Council has notified major AZ insurers about:
  - All Vaccine Price Increases
  - Introduction of all new vaccines
  - Introduction of new vaccine administration codes

- Also provide membership with template letters so they can notify insurers they contract with
Dear [Recipient Name],

We are writing this letter to notify you that Merck has increased the price of the MMR, Varicella, Rotateq, and ProQuad (MMR-V) vaccines as of 10/20/2011. Additionally, Pfizer has increased the price of Prevnar13 as of 11/1/2011. See the table below for details on the price changes.

<table>
<thead>
<tr>
<th>Vaccine</th>
<th>CPT Code</th>
<th>Previous Price</th>
<th>New Price</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMR</td>
<td>90707</td>
<td>$50.16</td>
<td>$52.07</td>
<td>$1.91</td>
<td>3.8%</td>
</tr>
<tr>
<td>MMR-V</td>
<td>90710</td>
<td>$133.93</td>
<td>$139.17</td>
<td>$5.24</td>
<td>3.9%</td>
</tr>
<tr>
<td>Varicella</td>
<td>90716</td>
<td>$83.77</td>
<td>$87.10</td>
<td>$3.33</td>
<td>4.0%</td>
</tr>
<tr>
<td>Rotateq</td>
<td>90680</td>
<td>$69.59</td>
<td>$72.34</td>
<td>$2.75</td>
<td>4.0%</td>
</tr>
<tr>
<td>Prevnar13</td>
<td>90670</td>
<td>$114.15</td>
<td>$120.95</td>
<td>$6.80</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Vaccines are an important preventative medical service that benefits all members of your company and pediatricians cannot afford to lose money in their businesses when providing this service. We are aware that our professional association, The Arizona Chapter of the American Academy of Pediatrics (AzAAP), also recently notified you of this price increase. We stand with our association and remind you that studies by the national AAP as well as one by the AzAAP indicate that a payment of approximately 21% above CDC Private Sector List Price is necessary to cover pediatricians’ inherent costs in buying and providing vaccines.

We hope that you will change your payment for these vaccines by at least the percentage listed above in a timely manner in accordance with the price increase that pediatricians will incur. Please keep us informed as to your company’s response to this price change.

Sincerely,
Advocacy in Arizona – Education of Members

- Member Communications
  - Weekly electronic updates (include practice managers)
  - Newsmagazine
  - Members-only practice management ListServ
- Tell members to calculate their own costs, compare to payments, and take appropriate steps (provide tools to help on our website)
**DIRECT COST**

- **Purchase price of vaccine per dose**
- **Sales tax, if any (enter as a percentage)**
- **Number of antigens (diseases) included in vaccine**
- **Excise tax**

**TOTAL DIRECT COST**

**COSTS RELATED TO ALL COLLECTIONS**

- **Physician’s tax, if any (state or local municipality) %**
- **Percent of revenues used by the billing/collections staff, department, or service**
- **Percentage of all claims denied/never paid**

**PRODUCT-RELATED COSTS**

- **Number of months to analyze (will be referred to below as “the period”)**
- **Total number of all vaccines administered during the period (CPT 90480)**
- **Number of additional antigens administered during the period (CPT 90461)**
- **Number of doses of vaccine in question administered during the period**

- **Hours spent ordering vaccines and monitoring vaccine storage and inventory during the period**
- **Hourly wage of staff ordering and monitoring storage and inventory**

**PERSONNEL COSTS TO ORDER AND INVENTORY VACCINES**

- **Hours spent negotiating/monitoring vaccine purchase contracts during the period**
- **Hourly wage of staff**

**PERSONNEL COSTS FOR NEGOTIATING/MONITORING PRICES**

- **Purchase price of refrigerator/freezer, alarm/temperature monitoring device, generators in case of power outages**

**INVENTORY COSTS**

- **Storage costs**

- **Annual cost of insurance on vaccine inventory**
- **Total value of current vaccine inventory**
- **Total value of inventory of vaccine in question**
- **INSURANCE COSTS AGAINST VACCINES ORDERED**

(AAP estimate is a placeholder for further explanation)
Vaccine Finance Education—Costs to Providers

- In 1985 children received 7 vaccines costing the practice $45.
- In 2008 children received 16 vaccines costing the practice $1,758.
- Vaccines represent 25%- 40% of the overhead costs in a Pediatric office.
- Vaccines are the leading overhead expense to a practice.
- Overhead = direct cost, product cost and administration costs
Vaccine Finance Education - 
Costs to ACQUIRE Vaccines

- Direct
  - Purchase price, excise tax

- Personnel
  - Ordering, inventory, billing, stocking, price negotiation and monitoring (group purchase vs. rebates)

- Product related
  - Electricity, storage costs, insurance, wasted doses, denied claims etc.
Vaccine Finance Education -
Costs to ADMINISTER Vaccines

- Personnel
  - Employees (scheduling, education, entering data, mixing the vaccines, drawing them up)

- Medical supplies
  - Gloves, band aids, alcohol swabs, needles, syringes

- Overhead
  - Rent, computers, liability insurance, medical waste.

- Physician
  - Educating the parents
Results of our Education

- Members reported being more knowledgeable about vaccine finance
- Pediatric Council grew in membership
- Discussion about vaccines on members-only Practice Management increased
- Members increasingly reported utilizing our vaccine finance tools to improve their practice and advocate for appropriate payment
- Little improvement made in policies of health plans not locally-managed
Why a Bill?

- Vaccines: saves lives, decrease morbidity, decrease costs now and in the future
- Providers are not paid adequately
- Vaccines provided in the PCP office will decrease
- Preventable disease will rise
- Patients are deferred to the Public Health Clinics
  - Loss of visit with the PCP
  - Missed opportunities to educate and prevention
  - Ultimate increase costs to the public
- Because Educating insurers did not work
1. Recognition of the most current and recently recorded vaccines recommended by ACIP
2. Use of the CDC private sector rates for payment
3. Payment for the vaccine is at a minimum of CDC Private Sector Price PLUS 21%
4. Update enrollee benefits to reflect changes in vaccine recommendations
5. Update payment amounts to the providers within 45 days of changes in vaccine pricing

6. First dollar coverage for vaccines

7. No dollar limit for vaccines

8. Timely payment of 45 days from receiving the claim

9. Payment for vaccine administration is the current year's medicare rates (CMS)
Vaccines

- Costs a fraction of Total Healthcare costs
- Save millions of dollars to the Public AND Insurance companies
- Leading overhead cost to a practice
- We cannot continue to provide and administer vaccines at a loss!
Appropriate Vaccine Payment

How are vaccine payments and contracts going to change to encourage providers to continue to provide vaccines?
References

1, 2 Centers for Disease Control and Prevention (CDC) National Center for Immunization and Respiratory Diseases

3 Pima County Health Department

4-6 CDC National Center for Immunization and Respiratory Diseases

Resources

- Practice Management Online: [www.practice.aap.org](http://www.practice.aap.org)
  - Resources on almost any question you could have!
- PediaLink: [www.pedialink.org](http://www.pedialink.org)
  - Contract Negotiations with Payors
  - Vaccine Best Practices
- CDC Private Sector Price List: [www.cdc.gov/vaccines/programs/vfc/cdc-vac-price-list.htm](http://www.cdc.gov/vaccines/programs/vfc/cdc-vac-price-list.htm)
  - More transparent than ASP and AWP
AzAAP website has a variety of resources you can find at: www.azaap.net/PedCouncilResources

USERNAME: AAPChapter
PASSWORD: AzAAP

You can find:
- Template letters for vaccine price increases, new vaccines
- Vaccine Product-Related Cost Calculator
- Vaccine Administration Cost Calculator
- Vaccine Cost and Payment Comparison
- Vaccine Inventory Value Calculator
- Vaccine Acronym Cheat Sheet