

On Monday May 5, 2008 Director Willden was briefed by Richard Whitley, Health Division Administrator and Doug Banghart, Immunization Program Manager regarding an impending vaccine funding crisis. Due to a 22% federal 317 reduction, Nevada's Immunization Program will be unable to provide vaccine under the current distribution and use policy.

The state immunization program utilizes three sources of funding to purchase and distribute vaccine to public and private service providers (universal-select policy). Federal Vaccines for Children (VFC) entitlement funding is used to vaccinate VFC eligible children including those children on Medicaid, uninsured, Native American children and the under-insured population. State General funds are allocated to vaccinate children enrolled in Nevada Checkup. Finally, federal 317 funds have historically been used to cover the remaining children which include those who are fully insured and currently funds approximately 50% of the childhood vaccines for this purpose.

As more and more vaccines are added to the childhood vaccination schedule and as these vaccines gain in cost, increased funding is needed to vaccinate Nevada's children. Federal VFC funding has kept up with this trend, while federal 317 funding has remained flat over the years and now has been decreased. With this, the State Immunization Program is unable to continue using federal 317 funds to subsidize Health Insurance plans by providing vaccine for their covered lives.

Based on this reduction amount and the historical vaccine usage patterns, federal 317 funds will be depleted as early as mid June 2008. Efforts are underway within the Immunization Program and with CDC to delay this to closer to the end of the federal fiscal year which is September 30, 2008.

A suggested change to the current vaccine distribution and use policy is to cease the federal funds subsidization of Health Plans operating in Nevada and under Nevada statutes (VFC-only policy). Health Plans typically do provide vaccination as a benefit but historically have not had to provide reimbursement for many of the vaccines. With the cessation of this federal subsidization, Health Plans will have some minimal financial impact. An analysis shows that the major health plans in Nevada would increase their vaccine reimbursements by approximately 68% - 73% to cover all the childhood and adolescent vaccines for their enrollees.

Table 1. Percent increase of reimbursement costs for selected Health Plans.

Health Plan	Reimbursement costs	Reimbursement costs	Percent increase
	Universal-select policy	VFC-only policy	
NevadaCare	\$ 246,675	\$ 420,673	71%
PacifiCare	\$ 558,759	\$ 964,290	73%

Hometown Health	\$ 494,157	\$ 829,950	68%
Aetna	\$ 3,253,220	\$ 5,466,300	68%

Analysis calculates the private sector cost to vaccinate children enrolled in the health plan according to the recommendations of the Advisory Committee on Immunization Practices (ACIP).

Though the reimbursement costs would increase, the overall corporate impact is negligible. Financial statements retrieved from the Securities and Exchange Commission (SEC) on publicly traded corporations show the following operating earnings in Tables 2, 3 and 4.

Table 2. Corporate earnings of UnitedHealth Group – CY 2007

Corporation	Operating Costs	Net Earnings
UnitedHealth Group*	\$67,582,000,000	\$4,654,000,000

*Subsidiary health plans within UnitedHealth Group include PacifiCare during 2007

Table 3. Corporate earnings of Sierra Health Services, Inc. – CY 2007

Corporation	Operating Costs*	Net Earnings
Sierra Health Services	\$1,524,733,000	\$94,052,000

* Health care operating costs only

Table 3. Corporate earnings of Aetna – CY 2007

Corporation	Operating Costs*	Net Earnings
Aetna	\$17,294,000,000	\$1,749,000,000

*Health care operating costs only

With the cessation of federal funding subsidization of health plans, providers of vaccine services will also experience an impact. Providers will, if they chose, privately purchase a complete stock of vaccine for their insured clients, vaccinate these clients, and then submit reimbursement claims to the health plans. Providers will have an increased reliance on the health plans for adequate reimbursement to cover the cost of privately purchased vaccine.

The State Health Division, Immunization Program proposes to immediately develop a transition workgroup that consists of immunization stakeholders including representatives of the major health plans and public and private immunization providers. The workgroup will identify measures to meliorate the various issues related

to this transition such as dual stock vaccine inventory, billing and coding for reimbursement and health plan contracting. Immunization Program staff will report the progress of this transition workgroup by December 31, 2008 to the Director of Health and Human Services.