

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HCS CSSB 169(HSS)
Fiscal Note Number: 11
(H) Publish Date: 4/16/14

Identifier: SB169HCSCS(HSS)-DHSS-EPI-04-14-14
Title: IMMUNIZATION PROGRAM; VACCINE ASSESSMENTS
Sponsor: GIESSEL
Requester: House Health & Social Services Committee

Department: Department of Health and Social Services
Appropriation: Public Health
Allocation: Epidemiology
OMB Component Number: 296

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services	300.0		310.0	320.0	330.0	340.0	350.0
Commodities	18,138.6	4,000.0	30,890.0	32,680.0	34,270.0	36,160.0	37,950.0
Capital Outlay							
Grants & Benefits							
Miscellaneous	50.0						
Total Operating	18,488.6	4,000.0	31,200.0	33,000.0	34,600.0	36,500.0	38,300.0

Fund Source (Operating Only)

1004 Gen Fund	(4,000.0)	4,000.0					
1178 temp code	22,488.6		31,200.0	33,000.0	34,600.0	36,500.0	38,300.0
Total	18,488.6	4,000.0	31,200.0	33,000.0	34,600.0	36,500.0	38,300.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	18,488.6		31,200.0	33,000.0	34,600.0	36,500.0	38,300.0
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**
If yes, by what date are the regulations to be adopted, amended or repealed? **01/01/15**

Why this fiscal note differs from previous version:

Updated for CS(HSS) version "D/B" which allows a three year phase-in period for assessable entities (insurers); adds a sunset of January 1, 2021; and changes the effective date to January 1, 2015.

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Division: Public Health Date: 04/14/2014 12:00 PM
Approved By: Sarah Woods, Deputy Director, Finance & Management Services Date: 04/14/14
Agency: Health & Social Services

FISCAL NOTE ANALYSIS #11

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HCS CSSB 169(HSS)

Analysis

This bill establishes a Statewide Vaccination Program for children and adults, phased in over three years, which sunsets in six years. The function of the program is to monitor, purchase and distribute recommended vaccines to healthcare providers, making vaccines available universally for all ages. The proposed public/private partnership with the business sector increases access to vaccines while both insurance companies and healthcare providers would realize savings--at no cost to the state. Long-term, for every dollar spent on childhood vaccines, it is estimated that more than \$10 in preventable disease costs will be avoided down the road. Nine other states have similar programs. The bill does not mandate that individuals get vaccinated.

This is a net zero fiscal note. The expenses for the self-funded program (including administrative costs) will be offset by a new revenue source from vaccine assessment fees, deposited to a new account within the general fund for the purpose of purchasing vaccine. Overpayments are credited back to the payers. The assessments typically include a reasonable surcharge for operating expenses. The eight-member Vaccine Assessment Council appointed by the commissioner receives no reimbursement for travel or expenses. Vaccine assessment funds do not lapse. No new positions are requested.

For 30 years the state provided all vaccines for adults and children before federal funding began a steep decline in 2009. Currently, the state purchases about half of the vaccine supply. The rest is being paid by providers who then seek reimbursement from insurers. The state supplies vaccines using a variety of fund sources. Funds for children who are uninsured, Medicaid eligible, or Alaska Native come through the federal Vaccines for Children program. This program will continue unchanged. General funds from HB310 are used for selected vaccines for underinsured children, and under- and uninsured adults. The unobligated amount of FY2015 final year of temporary appropriations from HB310 (Ch. 24 SLA 2012) will be deposited into the vaccine account on January 1, 2015 to capitalize the new statewide vaccination program. Additionally a small amount of existing state GF and other federal funds provides a limited quantity of selected vaccine to high-risk individuals and those who otherwise have no access. This will not change. The state does not currently provide vaccine for fully insured children or adults, or Alaska Native adults seen at tribal facilities. Providers currently purchase vaccine independently for this population and seek reimbursement if available. Providers must maintain separate accounting and storage areas for vaccines received through the state and vaccines bought privately.

Participation in the assessment by assessable entities would be phased-in over three years. After the phase in period, assessable entities cannot opt out, and all assessable entities that can be mandated to participate, shall participate. "Assessable entity" includes entities defined in the insurance code (21.54.500) as health care insurers, plus health benefit plans, third party administrators, self-funded church or government plans, and, to the extent allowed by law, other public and private creditable coverage including Employee Retirement Income Security Act (ERISA) plans, Medicaid, Medicare, the Veteran's Administration, the military's TRICARE, and tribal health. It is currently unclear whether federal law might prohibit such a mandate for some or all of the plans. Assessable entities would be assessed and pay a fee up front which the state will use for purchasing vaccines in bulk at lower prices than health care providers could, independently.

Under this bill, health care providers can avoid the financial, logistical and administrative burdens associated with purchasing vaccines privately. They would receive vaccine at no charge for all children and adults who are covered by an assessable entity. Providers—not the state--would purchase vaccine privately for patients for whom no assessment is paid (uninsured or nonparticipating assessable entity). Providers who wish to obtain state-distributed vaccine not covered by an assessable entity can opt into the assessment as "other program participants" to receive discounted vaccine pricing and avoid managing multiple inventories. Providers who do not opt in to the assessment would still receive vaccine at no cost for whom an assessment was paid. Providers can continue to submit claims for administering the vaccine (i.e. office visit) and any vaccine they purchased on their own, but not for state supplied vaccine. Savings are passed on to patients, who would be charged only for the office visit.

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FISCAL NOTE ANALYSIS #11

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HCS CSSB 169(HSS)

Analysis Continued

Assumptions:

Assessments are made prospectively and payments are received *in advance*, most likely on a quarterly basis. The department determines the allocation of the assessment in the first year, the council in subsequent years, based on a plan of operation. Assessable entities (insurers) and other program participants (providers) who participate in the assessment will be allocated proportionately only for their own clients ("covered lives") and the vaccines they provide ("doses"). Any overpayments will be credited to the payer.

The projected *gross cost* for all vaccine needed is based on estimated population, immunization rates, and pricing, regardless if state-supplied or privately purchased. The gross cost is adjusted by 1) reducing for available federal grants and other state funds in Epidemiology's base budget, 2) deducting for vaccine privately purchased by providers (for patients who are uninsured or covered by nonparticipating assessable entities), and 3) increasing for other program participants, i.e. providers who opt into the assessment. The adjusted cost is the *vaccine assessment* amount and what will be state-supplied. Finally, a *surcharge* for overhead costs is added to the vaccine assessment to get the *grand total assessment* that will be allocated to assessable entities and other program participants.

The program's effective date is January 1, 2015, which aligns with the assessable entities' benefit year. The state would expect to use about 10% or \$500.0 of the \$4.5 million GF from HB310 between July 1, 2014 and January 1, 2015 to purchase vaccines (the majority of vaccine is typically purchased in the latter half of the fiscal year for flu season and back-to-school immunizations). This leaves \$4 million to capitalize the fund and provides adequate cash flow until the first fees are paid. This amount has been deducted from the gross cost in Year One. HB310 funds are no longer available after FY2015, reducing state funds to \$700.0 in out years.

All private insurers and Medicaid are assumed to participate as assessable entities in Year One; TRICARE by Year Two; and Medicare by Year Three during the phase in period. One-fourth of the providers are assumed to opt-in each year for three years for patients who are uninsured and covered by nonparticipating assessable entities (25%, 50% & 75%, respectively) while the remaining one-fourth choose to purchase independently. There is a one-time cost of \$50.0 in Year One for refrigeration equipment to store the additional vaccine the state will be distributing through its vaccine depot. Out years are adjusted for both inflation (2.5%) and population increases (1-1.2%). Additional program receipt authority may be needed in out years as assessments increase due to changes in population, vaccine pricing, immunization rates, inflation, and new recommended vaccines. The sunset date of January 1, 2021 occurs outside of the range of this fiscal note.

Year 1 estimates:

\$46,400.0 *gross cost* for vaccines needed for 12 months
less \$14,600.0 federal funds
less \$4,496.0 GF HB 310 temporary funding
less \$700.0 other state funds (base)
less \$1,600.0 providers privately purchased vaccine (uninsured)
less \$7,000.0 providers privately purchased vaccine (nonparticipating assessable entities)
plus \$2,150.0 providers who opt into assessment as "other program participants"
= \$20,154.0 subtotal *vaccine assessment* for 12 months

times 90% adjustment to account for vaccine procured before program begins January 1
= \$18,138.6 total *vaccine assessment* for six months (Jan-Jun)

plus \$300.0 surcharge for overhead costs
plus \$50.0 surcharge for one-time costs
= \$18,488.6 *grand total assessment* for Year One (Jan-Jun) This amount is proportionately allocated to assessable entities and other program participants.