Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 169(HSS)
Fiscal Note Number: 3
(S) Publish Date: 2/24/14

Identifier: SB169-DHSS-EPI-02-20-14
Title: STATEWIDE IMMUNIZATION PROGRAM
Sponsor: GIESSEL
Requester: Senate 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 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates				
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	26,600.0	(4,496.0)	30,890.0	32,680.0	34,270.0	36,160.0	37,950.0
Capital Outlay							
Grants & Benefits							
Miscellaneous	50.0						
Total Operating	**26,950.0**	**(4,496.0)**	**31,200.0**	**33,000.0**	**34,600.0**	**36,500.0**	**38,300.0**

Fund Source (Operating Only)

1004 Gen Fund		(4,496.0)					
1178 temp code	26,950.0		31,200.0	33,000.0	34,600.0	36,500.0	38,300.0
Total	**26,950.0**	**(4,496.0)**	**31,200.0**	**33,000.0**	**34,600.0**	**36,500.0**	**38,300.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	26,950.0		31,200.0	33,000.0	34,600.0	36,500.0	38,300.0

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If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/15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:

Upon further review, it was determined a separate note was needed to establish the vaccine assessment account. The fiscal note was updated to reflect this change.

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Approved By: Sarah Woods, Deputy Director, Finance & Management Services — Date: 02/20/14
Agency: Health & Social Services

FISCAL NOTE ANALYSIS #3

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Analysis

This bill establishes a Statewide Vaccination Program and creates a vaccine assessment commission in the Department of Health & Social Services. The function of the program is to monitor, purchase and distribute recommended vaccines to providers, making vaccines available universally for all ages. The proposed solution increases access to vaccines while both insurance companies and health care providers would realize savings--at no cost to the state. It does not mandate that individuals get vaccinated.

Currently, the state purchases about half of the nearly $50 million spent annually on vaccine supply. The rest is being paid by providers who then seek reimbursement from insurers. The state supplies vaccines for children who are uninsured, Medicaid eligible, or Alaska Native through the federal Vaccines for Children program. The state provides general funds for selected vaccines for underinsured children, and under- and uninsured adults as a result of HB310, passed by the 27th Legislature (Ch. 24 SLA 12). The state also provides a limited quantity of selected vaccine to those who otherwise have no access, using a small amount of existing state GF. Once the HB310 funding ends June 30, 2015, the state would only supply vaccines under the federal program and a small amount of vaccine for high-risk children and adults with the existing state GF. The state does not currently provide vaccine for fully insured children or adults or Alaska Native adults seen at tribal facilities. Providers must purchase vaccine themselves 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.

This is a net zero fiscal note. The expenses will be offset by the revenue collected from a new revenue source from a partnership with the business sector. The self-funded program (including administrative costs) will come from vaccine assessment fees, deposited to a new account within the general fund. The $4.5 mil GF included in the Governor's FY2015 budget from HB310's final year of temporary appropriations would be transferred into the special account to seed the new statewide vaccination program. This amount, in combination with federal funds, and other GF funds of $700.0, will provide adequate cash flow until the initial assessment fees are collected. No additional GF is needed. Funds are for the purpose of purchasing vaccine; state-distributed vaccine cannot be resold or billed by providers to other payers. Funds do not lapse. Overpayments are credited back to the payers. The assessments typically include a reasonable surcharge for operating expenses. Payments made by insurers are considered a medical expense.

This bill would restructure how vaccines are purchased and distributed. It would provide state-distributed vaccine for all children, and to adults who are covered by an assessed payer (all except uninsured adults for whom there is no payer). Under this program, insurance payers (private and public) are assessed a fee up front for purchasing vaccines. Using collected fees, the state purchases vaccines in bulk at lower prices than health care providers could, independently. Health care providers would receive the vaccine free of charge and could reduce their administrative burden with a single inventory. Providers would also bill insurance companies for less (office visit only, vs. also cost of vaccine), creating savings for insurance companies. Savings are passed on to patients, who would be charged only for the office visit.

Participation in the assessment would be mandatory for health care insurers. “Health care insurer” includes all assessable 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 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 the mandatory assessment applies to federally-funded healthcare benefit plans, as federal law might prohibit such a mandate for some or all of the plans. For federal plans that could not be required to participate, the plans would need to either opt in to the assessment or pay for vaccine for those clients not covered in the assessment by another payer (e.g., a tribal beneficiary with no other assessed health care coverage plan). (CONTINUED)

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Analysis Continued

Voluntary participation in the assessment only applies to providers who wish to obtain state-distributed vaccine for adults who are either uninsured or not otherwise covered by an assessed payer. Providers who do not opt in to the program would receive vaccine at no cost for all others but not for uninsured adults. Providers who care for large numbers of non-qualifying participants already purchase vaccine from the marketplace for their clients, and it is expected that they would continue to do so if they decide not to opt in to the assessment. By opting in, providers receive discounted vaccine pricing and avoid managing multiple vaccine inventories.

The total gross vaccine cost for Year 1 is estimated to be $46.4 million.

The gross cost was reduced for the estimated $1.6 million vaccine purchased independently by providers for uninsured adults to determine the total amount of state supplied vaccine. However, the availability of HB310 state funds in Year 1 of this fiscal note means that providers likely will not have to begin purchasing vaccine under this program until Year 2. The state-supplied amount includes all vaccine the state would purchase and distribute, regardless of the fund source. To determine the total to be assessed, the state-supplied vaccine cost was reduced by available federal funds that will not be included in the assessment. This is mainly $14.4 million for Vaccines for Children and $200.0 of other federal funds. The state-supplied vaccine cost was also reduced by available state funds that will not be included in the assessment. This includes $4.5 million from HB310 and $700.0 in other general funds already in the base budget. Overhead costs estimated at $300.0 were added to get the total assessment of $26.9 million.

Year 1 estimates:
$46.4 million gross vaccine cost
- $0 provider-purchased
= $46.4 million state supplied cost
- $14.6 million federal funds
- $5.2 million state funds
= $26.6 million to be assessed to providers/payers for vaccine
+ $300.0 for overhead costs
= $26.9 million total assessment ($20.0 million from private providers/$6.9 million from public providers, if allowed by law) deposited in the fund.
There is a one-time cost of $50.0 in Year 1 for equipment to store the additional vaccine the state will be distributing.

Changes for Years 2-6 estimates:
Out years are adjusted for both inflation (2.5%) and population increases (1-1.2%). HB310 funds are no longer available after FY2015, reducing state funds to $700.0 in out years. About $1.6 million in vaccines will be purchased independently by providers for uninsured adults. This represents about 3.5% of total gross cost. Incremental appropriations will be needed as population, inflation, recommended vaccines , vaccine pricing, and immunization rates change.