



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
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CHARLES D. BAKER
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KARYN E. POLITO
Lieutenant Governor

June 30, 2020

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MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

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Dear Mr. Clerk:

Pursuant to Massachusetts General Law Chapter 111 Section 24N, please find enclosed a report from the Department of Public Health entitled "Vaccine Purchase Trust Fund Fiscal Year 2019."

Sincerely,

A handwritten signature in black ink, appearing to read "mBhare".

Monica Bharel, MD, MPH
Commissioner of Public Health

Charles D. Baker
Governor

Karyn Polito
Lieutenant Governor



Marylou Sudders
Secretary

Monica Bharel, MD, MPH
Commissioner

Vaccine Purchase Trust Fund

Fiscal Year 2019

June 2020



Legislative Mandate

The following report is hereby issued pursuant to Massachusetts General Law Chapter 111 Section 24N as follows:

Section 24N. (a) As used in this section the following words shall, unless the context clearly requires otherwise, have the following meanings:--

"Children", individuals less than 19 years of age.

"Estimated vaccine cost", the estimated cost over the course of a fiscal year for the purchase, storage and distribution of vaccines for all children in the commonwealth.

"Payments subject to surcharge", as defined in section 64 of chapter 118E.

"Routine childhood immunizations", immunizations for children until their nineteenth birthday including: (i) the immunizations recommended by the federal Vaccines for Children Program, and (ii) any immunizations recommended by the Advisory Committee on Immunization Practices of the federal Centers for Disease Control and Prevention.

"Surcharge payors", those entities defined as surcharge payors pursuant to section 64 of chapter 118E, who made payments subject to surcharge in the amount of \$1,000,000 or more during the most recent period for which data is available on July 1 of the current fiscal year.

"Total non-federal program cost", the estimated annual cost of vaccines needed for routine childhood immunizations for children covered by surcharge payors in the commonwealth less the amount of federal revenue available to the commonwealth for purchase, storage, distribution and administration of the vaccines.

(b) There shall be established in the commonwealth a separate trust fund to be known as the Vaccine Purchase Trust Fund to support a universal purchase system for routine childhood immunizations in the commonwealth. The fund shall be expended to cover the costs to purchase, store and distribute vaccines for routine childhood immunizations and to administer the fund and the immunization registry, established pursuant to section 24M. The fund shall consist of all monies paid to the commonwealth under subsection (d) and any interest earnings on such monies. The fund shall be maintained by the commissioner of public health or a designee. The monies shall be expended under the direction of the department of public health, without prior appropriation, solely to cover total non-federal program costs; provided, however, that the amount to be expended for storing and distributing vaccines for routine childhood immunizations, if such costs are not covered by federal contribution, and for the costs of administering the immunization registry, shall not exceed 10 per cent of the total amount of the fund expended for the purchase of vaccines needed for routine childhood immunizations for all children in the commonwealth. The department may incur expenses and the comptroller may certify for payment amounts in anticipation of the most recent estimate of expected receipts, as certified by the secretary of administration and finance; provided, however, that no expenditure shall be made from the fund which shall cause the fund to be in deficit at the close of a fiscal year. Any balance in the fund at the close of a fiscal year shall be available for expenditure in subsequent fiscal years and shall not be transferred to any other fund or revert to the General Fund. The commissioner of public health or a designee shall annually report the amount of funds collected and any expenditures made from the fund to the clerks of the house of representatives and senate to be forwarded on to the house and senate committees on ways and means, the house and senate chairs of the joint committee on public health and the house and senate chairs of the joint committee on health care financing.

(c) There shall be a vaccine program advisory council consisting of the commissioner of public health or a designee, who shall serve as chair; the medical director of the universal immunization program of the department of public health established under section 24I; the executive director for the center for health information and analysis or a designee; the executive director of the commonwealth health insurance connector authority or a designee; 1 person to be appointed by the director of Medicaid, who shall be a representative of managed care organizations contracting with MassHealth; 3 persons to be appointed by the commissioner of insurance, each of whom shall be a representative of 1 of the 3 health insurance companies having the most insured lives in the commonwealth; and 7 persons to be appointed by the commissioner of public health, 1 of whom shall be a representative of an employer that self-insures for health coverage who shall be appointed from lists of nominees submitted by statewide associations of employers, 1 of whom shall be a member of the Massachusetts Medical Society, 1 of whom shall be a member of the Massachusetts chapter of the American Academy of Pediatrics, 1 of whom shall be a member of the Massachusetts Academy of Family Physicians, and 3 of whom shall be physicians licensed to practice in the commonwealth and who shall have expertise in the area of childhood vaccines. The council shall recommend the types of vaccines to be purchased based on a list of routine childhood immunizations and shall take into account provider preference, cost, availability and other factors as determined by the council. The council shall recommend the amount of funding needed each fiscal year by calculating the total non-federal program cost. The council shall make recommendations to the commissioner on whether the commissioner may authorize provider choice of more than 1 comparable brand or type for a routine childhood immunization vaccine. In its recommendations, the council shall examine the feasibility, costs and benefits of authorizing provider choice, provide a schedule of the cost of each comparable brand or type of a vaccine recommended for provider choice and demonstrate that the estimated vaccine cost of authorizing provider choice would not be substantially greater than the estimated vaccine cost of purchasing a single brand or type of a vaccine. The commissioner of public health shall determine the final vaccines to be purchased.

(d) Under regulations adopted by the commissioner of public health, each surcharge payor in the commonwealth shall pay to the commissioner of public health, for deposit in the Vaccine Purchase Trust Fund, a routine childhood immunizations surcharge assessed by the commissioner. By January 1 of each year, the commissioner of public health shall determine the total amount of the surcharge for the current fiscal year by determining the final amount required to be included in the Vaccine Purchase Trust Fund for the current fiscal year to cover the estimated costs to purchase, store and distribute vaccines for routine childhood immunizations and to administer the fund and the immunization registry, established pursuant to section 24M. The amount shall exclude any costs anticipated to be covered by federal contribution, shall take into consideration the limitations on expenditures described in subsection (b) and shall take into account any anticipated surplus or deficit in the trust fund. Any increase in the surcharge amount for the prior fiscal year shall not increase more than the percentage set as the health care cost growth benchmark, established under section 9 of chapter 6D, unless the commissioner of public health submits a detailed report to the clerks of the house of representatives and senate who shall forward the report to the house and senate committees on ways and means, the house and senate chairs of the joint committee on public health and the house and senate chairs of the joint committee on health care financing explaining the need for the increase. If the reason for the increase is due to the purchase of new vaccines and the authorization of provider choice for certain vaccines, as recommended by the vaccine program advisory council, the report shall include an analysis of cost savings generated by use of the state vaccine purchasing discount.

The commissioner shall annually provide surcharge payors notice of the assessment amount for the trust fund year not later than 15 days prior to the due date of the first scheduled surcharge payment or March 1, whichever is earlier. Surcharge payors shall pay the surcharge on a schedule

determined by regulation; provided, however, that the schedule shall ensure sufficient funds for the trust fund to fulfill the purposes described in subsection (b). Each surcharge payor shall pay a portion of the total amount of the surcharge proportional to their payments subject to surcharge during the most recent period for which data is available, as further defined in regulation.

(e) The department of public health may adopt rules and regulations as necessary to implement the universal purchase and distribution system under this chapter and other applicable state and federal laws. The rules and regulations shall establish the system by which vaccines are distributed for children in the commonwealth.

(f) Every surcharge payor, to the extent not preempted by federal law, shall provide benefits for: (i) routine childhood immunizations for residents of the commonwealth; and (ii) immunizations for residents of the commonwealth who are 19 years of age and older according to the most recent schedules recommended by the Advisory Committee on Immunization Practices of the federal Centers for Disease Control and Prevention. These benefits shall be exempt from any copayment, coinsurance, deductible or dollar limit provisions in the health insurance policy or contract.

Executive Summary

Chapter 28 of the Acts of 2014 established the Vaccine Purchase Trust Fund. The Fund is financed through an assessment charged to Massachusetts health insurance carriers for the cost of state-supplied pediatric vaccines. The Department purchases vaccines at a reduced price, under federally negotiated manufacturer contracts, and oversees the ordering and inventory of vaccines, their allocation to providers, and their administration. It also maintains the Massachusetts Immunization Information System (MIIS), which is the Massachusetts vaccine registry. The financing structure provided by the Trust supports vaccine access for all children and adolescents in the Commonwealth.

In state FY19, Fund collections and revenue carried forward from prior years exceeded expenditures. \$101M was spent in FY19. A total of \$83.7M was collected into the Fund, and \$17.4M from prior year carried forward was spent, generating \$5.8M in revenues to be credited to FY20. Actual expenditures on vaccines and MIIS maintenance equaled \$101M leaving no additional funds to be carried forward into FY20 (see Tables 1 & 2). No new pediatric vaccines were added to the Department's Immunization Program in FY19.

The Department has increased the surcharge in FY20, and the percentage will exceed the health care cost growth benchmark (~4.54%/~ \$12M). This is due to an increase in usage of certain vaccines with lower immunization coverage (lower than the over 90% coverage seen for most routine pediatric vaccines) and an increase in demand for state-supplied vaccines due to federal eligibility changes through the federal Vaccines for Children (VFC) Program.

Introduction

Chapter 28 of the Acts of 2014 the Vaccine Purchase Trust Fund is a public-private collaboration that greatly improves child health while saving money for the Commonwealth. This financing system is comprised of an assessment charged to Massachusetts insurers and health plans for the cost of state-supplied childhood vaccines which are purchased at a reduced price the state

receives under the federal contract. The Vaccine Purchase Trust Fund is a stable financing framework enabling Massachusetts to guarantee that all children 0-18 years of age receive every vaccine recommended by the Centers for Disease Control and Prevention (CDC) Advisory Committee on Immunization Practices (ACIP), which sets national standards for immunizations. The Fund helps to guarantee that Massachusetts maintains one of the highest childhood vaccination rates in the country and maintains the Commonwealth's status as a universal pediatric vaccine access status.

Report

For over 100 years, the Department has distributed all of the routinely recommended childhood vaccine, free of charge to health care providers in the state. This universal distribution has allowed children to be vaccinated by their own provider in their medical home.

Starting in 2007, Massachusetts lost its status as a universal vaccine distribution state. Several factors, including new vaccine introductions, revised dosing schedules, and increasing vaccine costs challenged the ability of annual state appropriations to keep apace. For example, the booster dose of the meningococcal vaccine that extends the protection for adolescents and young adults against a potentially deadly brain infection was not universally provided due to cost. This required providers to purchase the doses themselves, charge patients for their administration, and seek reimbursement from health insurance carriers at current rates, which increased costs.

The establishment of the Vaccine Purchase Trust Fund has allowed Massachusetts to once again provide all vaccines in the universal childhood vaccine program.

The Vaccine Purchase Trust Fund assessment is applied to surcharge payors under Massachusetts General Law Chapter 118E sections 66-69 as a percentage of payments made to the Health Safety Net Fund. Any collections from the previous year in excess of expenditures are credited to the subsequent year, reducing the assessment.

In state FY19, Fund collections and revenue carried forward from prior years exceeded expenditures. \$101M was spent in FY19. A total of \$83.7M was collected into the Fund, and \$17.4M from prior year carried forward was spent, generating \$5.8M in revenues to be credited to FY20. Actual expenditures on vaccines and MIIS maintenance equaled \$101M leaving no additional funds to be carried forward into FY20 (see Tables 1 & 2). No new pediatric vaccines were added to the Department's Immunization Program in FY19.

The Department has increased the surcharge in FY20, and the percentage will exceed the health care cost growth benchmark (~4.54%/~ \$12M). The Department has seen an increased usage of certain vaccines, primarily HPV (human papillomavirus) vaccine (~\$M) and also MCV4 (meningococcal conjugate quadravalent), hepatitis A, and meningococcal B vaccines. Immunization coverage for these vaccines continues to be lower than the over 90% coverage seen for most other routine pediatric vaccines, therefore greater variances are expected from year to year with these vaccines as providers continue to catch-up unimmunized children. In addition, an increase (~\$9.5M) is needed to address a downward shift (49% to 44%)

in the percentage of the pediatric population covered by the federal Vaccines for Children (VFC) Program.

Conclusion

The establishment of the Vaccine Purchase Trust Fund allows Massachusetts to provide all federally recommended pediatric vaccines through the DPH Immunization Program for all children 0-18 years of age and maintain a state-of-the-art vaccine registry. The Department has increased the payor surcharge for FY20 above the health care cost growth benchmark to address an increase in certain vaccines and a decrease in the population covered by the federal VFC Program.

Addendum

Table 1. Calculation of Childhood Program Assessment Percentage FY19	
FY19 Assessment Base (Q1 Health Safety Net Fund surcharge)	\$ 2,036,182,093.34
FY19 Pediatric Immunization Program Assessment Revenue Requirement	89,520,591.58
Credit for Excess FY18 Collections	(27,005,284.91)
Amount Required to be Collected by June 30, 2019	62,515,306.67
FY19 Pediatric Immunization Program Assessment Percentage	3.07%

Table 2. Childhood Immunization Program Expenditures FY19	FY19 Final
Total Collections FY19	83,718,109.83
Total Revenue Requirement FY19 less credit for excess collections in FY18	62,515,306.67
Total Prior Year Collections spent in FY19	17,431,499.06
Total Collections from FY19 and prior years to be credited to FY20	(5,802,481.75)
Total Revenue Requirement FY19 plus revenue collected in prior years that was spent	\$101,149,608.89
Total Expenditures FY19	\$101,149,608.89
Total unspent to be carried forward into FY20	0.00