Medicare coverage for vaccines

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Overview

- Background
- Medicare’s coverage of and spending for vaccines
- Vaccination rates of Medicare beneficiaries
- Review Commission’s 2007 recommendation
- Consider three vaccine coverage options
Why government plays a large role in vaccination

- Vaccines are among the medical interventions with largest social returns
  - Preserve health and economic activity
  - Avoid medical costs and stress on health care delivery system
- Individuals at risk of contracting contagious disease have a stake in seeing that others are vaccinated
- Encourage manufacturer R&D and production of vaccines

Government role through vaccination mandates (e.g., state requirements for routine childhood vaccinations), direct purchases and stockpiles, liability protection, R&D investment

Note: R&D (research and development).
SARS-CoV-2 vaccine development

- ~$10 billion for vaccines and treatments in Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020
- Operation Warp Speed (OWS) goal of delivering up to 300 million doses of a safe and effective vaccine by early 2021
- OWS supporting several vaccine candidates, three of which are now in phase-3 clinical trials
- Federal funding for R&D and vaccine purchases before clinical trials completed to speed up large-scale manufacturing
- Some vaccine candidates may get emergency use authorization

Note: R&D (research and development).
Medicare’s coverage of vaccines spans Part B and Part D

- **Part B covers:**
  - Seasonal influenza
  - Pneumococcal disease
  - Hepatitis B for patients at high or intermediate risk
  - CARES Act requires coverage of SARS-CoV-2 vaccines under Part B with no beneficiary cost sharing

- **Part D covers all commercially available vaccines not covered by Part B such as for shingles or hepatitis A**

Note: SARS-CoV-2 (sudden acute respiratory syndrome corona virus 2).
In 2018, Medicare spent about $2 billion on vaccines across Part B and Part D

<table>
<thead>
<tr>
<th>Vaccines</th>
<th>Spending $ (millions)</th>
<th>Number of doses (millions)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part B vaccines</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Influenza</td>
<td>$706</td>
<td>17.3</td>
<td>51%</td>
</tr>
<tr>
<td>Pneumococcal pneumonia</td>
<td>627</td>
<td>4.3</td>
<td>46%</td>
</tr>
<tr>
<td>Hepatitis B</td>
<td>38</td>
<td>0.4</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,371</td>
<td>20.9</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Part D vaccines</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Herpes zoster</td>
<td>$450</td>
<td>3.1</td>
<td>89%</td>
</tr>
<tr>
<td>Tetanus / Diphtheria</td>
<td>30</td>
<td>0.7</td>
<td>6%</td>
</tr>
<tr>
<td>Hepatitis A / B</td>
<td>17</td>
<td>0.2</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>0.1</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>505</td>
<td>4.0</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: Data are preliminary and subject to change. ¹MedPAC and Acumen, LLC analysis of Medicare FFS claims.
²MedPAC analysis of Part D prescription drug event data.
Vaccine coverage and payments under Part B vs. Part D

**Part B**
- Generally no cost sharing
- Payment based on 95% AWP
- Administered in a wide variety of settings
  - Mass immunizers, e.g., pharmacies
  - Physician offices
  - Hospitals
  - Skilled nursing facilities and other settings

**Part D**
- Cost-sharing amounts vary by plan and benefit phase
- Payment based on plan bids
  - Plans negotiate payment with pharmacies
  - Plans may negotiate rebates with manufacturers
- Most are administered in pharmacies

Note: AWP (average wholesale price).
Some goals for vaccination rates among Medicare beneficiaries have not been reached

- **Seasonal influenza**
  - Goal: 90% of adults age 65 and older
  - 68% vaccinated in 2018-2019, similar to 67% in 2010-2011\(^1\)

- **Pneumococcal**
  - Goal: 90% of adults age 65 and older
  - 59% vaccinated by 2017, up from 40% in 2010\(^2\)

- **Shingles**
  - Goal: 30% of adults age 60 and older
  - About one-third vaccinated by 2018, up from 7% in 2008\(^3,4\)

Note:  
\(1\) CDC 2019 ([https://www.cdc.gov/flu/fluwatch/coverage-2019estimates.htm](https://www.cdc.gov/flu/fluwatch/coverage-2019estimates.htm)),  
\(3\) Terlizzi and Black 2020 ([https://www.cdc.gov/nchs/data/databriefs/db370-h.pdf](https://www.cdc.gov/nchs/data/databriefs/db370-h.pdf)),  
\(4\) MedPAC analysis of Part D prescription drug event data for a cohort of beneficiaries age 60 or older who newly enrolled in Part D in 2010 or existing enrollees who turned 60 in 2010
Racial and ethnic disparity in vaccine use among Medicare beneficiaries

Vaccination rate by race/ethnicity

<table>
<thead>
<tr>
<th></th>
<th>FFS Part B</th>
<th>Part D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influenza(^1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017-'18 flu season</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ever vaccinated by 9/2017)</td>
<td>53%</td>
<td>61%</td>
</tr>
<tr>
<td>Pneumococcal(^2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ever vaccinated by 9/2017)</td>
<td>34%</td>
<td>45%</td>
</tr>
<tr>
<td>Shingles(^3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ever vaccinated by 12/2018)</td>
<td>35%</td>
<td>23%</td>
</tr>
</tbody>
</table>

- **Racial/ethnic disparity in both Part B and Part D**
- **Lower vaccine use among Blacks and Hispanics even with limited or $0 cost sharing**
  - No cost sharing under Part B
  - Nominal copays for Part D’s low-income subsidy enrollees
  - Plans with low or $0 copay for vaccines

Note: FFS (Fee-for-service) Data are preliminary and subject to change. \(^1\)MedPAC and Acumen, LLC, analysis of Medicare claims data for beneficiaries of all ages. \(^2\)Black et al 2018 analysis of Medicare claims data for those age 65 or older ([https://www.cdc.gov/vaccines/imz-managers/coverage/adultvaxview/pubs-resources/pcv13-medicare-beneficiaries.html](https://www.cdc.gov/vaccines/imz-managers/coverage/adultvaxview/pubs-resources/pcv13-medicare-beneficiaries.html)). \(^3\)MedPAC analysis of Part D prescription drug event data for a cohort of beneficiaries age 60 or older who newly enrolled in Part D in 2010 or existing enrollees who turned 60 in 2010.
In 2007, the Commission recommended coverage of vaccines under Part B instead of Part D

- **At the time:**
  - No clear way for physicians to bill Part D plans
  - Patients would pay for vaccine upfront and then seek reimbursement from plans, hurdle to seeking appropriate preventive care

- **Today:**
  - Some of the original rationales for the recommendation no longer apply
  - Nevertheless there may still be reasons to support moving all vaccine coverage to Part B
Option 1: Cover all vaccines in Part B only, no cost sharing

- **Advantages:**
  - More Part B beneficiaries than enrollees in Part D
  - No cost sharing for vaccines for contagious diseases
  - Wide variety of settings available for administering vaccines
  - Less confusing to beneficiaries and providers

- **Disadvantages:**
  - AWP-based payment places little or no constraints on pricing
  - Limited tools to encourage use of lower cost vaccines with similar health outcomes when available

Note: AWP (average wholesale price).
Option 2: Cover new vaccines for highly contagious diseases in Part B with no cost sharing, all others in Part D

- **Advantages:**
  - Widest coverage for vaccines with largest social benefits
  - Part D plans would cover all others
    - Could negotiate with manufacturers over price for formulary placement
    - Potentially larger rebates if there are competing vaccine products

- **Disadvantages:**
  - Few pricing constraints on new vaccines placed in Part B
  - Continued variation in cost sharing for vaccines in Part D, which may deter some use
  - Unclear how well Part D plans could or would constrain prices
Option 3: Keep current approach to vaccine coverage but eliminate vaccine cost sharing in Part D

- **Advantages:**
  - For Part D enrollees, would broaden access to Part D vaccines
  - Manufacturers of new vaccines would expect that they would have to negotiate with Part D plans

- **Disadvantages:**
  - Eliminating cost sharing may not increase vaccine use much
  - Some beneficiaries in Part B but not in Part D would not have access to new vaccines
  - Would reduce bargaining leverage of Part D plans in their negotiations with manufacturers
Next steps

- Clarifications and questions
- Provide guidance with respect to a potential recommendation in the spring
- Materials will be included as a chapter in June 2021 report to the Congress
Summary of options

- Option 1: Reiterate 2007 recommendation to cover all vaccines in Part B only, no cost sharing
- Option 2: Cover new vaccines for highly contagious diseases in Part B with no cost sharing, all others in Part D
- Option 3: Keep the current approach to vaccine coverage but eliminate vaccine cost sharing under Part D