



Advising the Congress on Medicare issues

Medicare vaccine coverage and payment

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Presentation overview

- Background
- Improving coverage of preventive vaccines for Medicare beneficiaries
- Improving Medicare's payment for preventive vaccines

Medicare's vaccine coverage spans Part B and Part D

- Part B covers:
 - Seasonal influenza
 - Pneumococcal disease
 - Hepatitis B for patients at high or intermediate risk
 - COVID-19 vaccines, per CARES Act
 - Other vaccines when used to treat injury or direct exposure
- Part D covers all commercially available preventive vaccines not covered by Part B, such as shingles or hepatitis A

Coverage of and payment for vaccines

Part B

- Generally no cost sharing*
- Administered in a wide range of settings
 - Mass immunizers, e.g., pharmacies
 - Physician offices
 - Hospitals, SNFs, HHAs, dialysis facilities, others

Part D

- Cost-sharing amounts vary by plan and benefit phase
- Most are administered in pharmacies

In 2007, the Commission recommended coverage of vaccines under Part B instead of Part D

- At outset of Part D, there were concerns:
 - Physicians would have difficulty billing Part D plans
 - Patients would have to pay for vaccine upfront and then seek reimbursement from plans, a hurdle to seeking appropriate preventive care
- Today:
 - Steps have been taken to lessen these billing issues
 - But, there continues to be strong rationale for moving all vaccine coverage to Part B

Moving all vaccine coverage to Part B would promote wider access

- More Part B beneficiaries than enrollees in Part D
- Wide variety of settings under Part B for administering vaccines
- Less confusing for beneficiaries and providers
- No cost sharing for vaccine or administration would ensure cost is not an access barrier

Background: Drug pricing terminology

- Average wholesale price (AWP): list price
- Wholesale acquisition cost (WAC): Price at which manufacturer sells to wholesalers or directly to customers, does not incorporate discounts or rebates
- Average sales price (ASP): average price realized by the manufacturer for sales to most purchasers, net of rebates and discounts (with some exceptions)

How Medicare pays for vaccines

| Part B preventive vaccines | Part B vaccines for injury or direct exposure | Part D vaccines |
|--|---|---------------------------------|
| Flu, pneumococcal, hepatitis B, COVID-19 | Hepatitis A, rabies, Td, Tdap | Shingles, hepatitis A, Td, Tdap |
| 95% AWP or reasonable cost* | 106% ASP | Plan negotiated rates |

- Parts B and D also make a separate payment for vaccine administration
- If the federal government directly purchases the vaccine (like for COVID-19) Medicare only pays for administration, not the vaccine itself

Note: AWP (average wholesale price). ASP (Average sales price). Td (tetanus and diphtheria). Tdap (tetanus, diphtheria, and pertussis). *Most doses of Part B preventive vaccines are paid 95% of AWP. Some providers such as hospitals, skilled nursing facilities, home health agencies, hospital-based dialysis facilities, rural health clinics, and federally qualified health centers are paid reasonable cost.

Comparison of Medicare vaccine payment rates to wholesale acquisition cost

| | 95% AWP as percent of WAC 2020 | 106% ASP as percent of WAC 2020 | Part D rate as percent of WAC 2019 |
|--------------|---|--|---|
| Influenza | 117% | NA | NA |
| Pneumococcal | 114% | NA | NA |
| Hepatitis B | 115% | NA | NA |
| | | | |
| Hepatitis A | NA | 87% | 104% |
| Rabies | NA | 85% | 101% |
| Td | NA | 73% | 103% |
| Tdap | NA | 77% | 105% |
| | | | |
| Shingles | NA | NA | 101% |

- 95% AWP substantially exceeds WAC
- Part D payment rates* are slightly above WAC
- 106% ASP is substantially below WAC for vaccines with data

Note: AWP (average wholesale price). WAC (wholesale acquisition cost). ASP (average sales price). NA (Not applicable). Td (tetanus and diphtheria). Tdap (tetanus, diphtheria, and pertussis). Estimates reflect the median national drug code (NDC) when there are multiple NDCs for a particular type of vaccine. The Part D payment rate reflects the median total payment to pharmacies for ingredient cost, including cost-sharing, and does not reflect any manufacturer rebates if available. WAC prices and Part B payment rates are for July of a given year. Data exclude Part B and Part D payments for vaccine administration and any Part D dispensing fee. Source: MedPAC analysis of Part D PDE data and public ASP payment rate files from CMS and data from First Databank. Data are preliminary and subject to change.

Improving payment for Part B vaccines

- WAC is a better measure of prices than AWP
- Paying 103% of WAC would moderately reduce rates to level that should be accessible to all providers
- Since ASP reflects rebates and discounts, whereas WAC does not, ASP may be a better long-run basis for payment
- More study would be beneficial to understand:
 - How the 2-quarter lag in ASP reporting would affect vaccine payment rates (e.g., given seasonality of flu vaccine)
 - How much vaccine prices vary across purchasers