

Medicare vaccine coverage and payment

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Coverage and payment of preventive vaccines is split under Parts B and D*

Part B

- Influenza, pneumococcal, hepatitis B (for intermediate-risk or high-risk patients), COVID-19
- 95% AWP or reasonable cost; direct Federal purchase for COVID-19
- No cost sharing
- Administered in range of settings (e.g., pharmacies, physician offices, hospitals, SNFs, others)

Part D

- All commercially available vaccines not covered by Part B (e.g., shingles)
- Plans' negotiated rate
- Cost-sharing amounts vary by plan and benefit phase
- Most are administered in pharmacies

*Part B also covers vaccines furnished to treat an injury or direct exposure (e.g., tetanus and rabies) and pays 106 percent of the average sales price. Beneficiaries are subject to the standard 20 percent Part B cost sharing. Note: SNFs (skilled nursing facilities).

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

- At outset of Part D, there were concerns related to vaccine coverage:
 - 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 beneficiaries enrolled in Part B than 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

How Medicare Part B pays for preventive vaccines

- When Part B pays for a preventive vaccine, the payment rate is 95% of the average wholesale price (AWP), except for certain settings paid reasonable cost
- If the federal government directly purchases the vaccine (like for COVID-19), Medicare only pays for administration, not the vaccine
- Concern exists about Part B vaccine payment rates; AWP is a list price that does not reflect market prices

Note: 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.

Improving payment for Part B vaccines

- Medicare payment rates could be improved by paying based on wholesale acquisition cost (WAC) or average sales price (ASP)
 - WAC: manufacturer's price to wholesaler (does not reflect discounts/rebates)
 - ASP: manufacturer's average price for sales to all purchasers net of most discounts/rebates with some exceptions
- Paying 103% of WAC would moderately reduce rates to level that should be accessible to all providers
- ASP may be a better basis for payment than WAC because ASP reflects discounts/rebates, but more study would be beneficial on:
 - 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