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HHS-
immunization

THE WHITE HOUSE

WASHINGTON

June 26, 1995

MEMORANDUM FOR: Harold Ickes

FROM: Jeremy Ben-Ami

SUBJECT: Immunization Program

Attached are talking points from HHS on the Vaccines for Children (VFC) program. The following is an overview of the issue.

Background on VFC: VFC provides an entitlement to free vaccine for the following categories of children:

- Children on Medicaid: These children were always entitled to free vaccine. The major difference under VFC is that costs that were formerly shared between the Federal government and the states are now paid entirely by us. This has not succeeded in immunizing more children, but has given the states a major fiscal stake in preserving the program. We have letters of endorsement from Governors Engler, Dean, and Carnahan. Much of VFC's cost is simply the transfer of these costs from Medicaid to VFC.

- Uninsured children: These children are entitled to free vaccine if (1) their doctors sign up to be a VFC provider; or (2) they go to a public health clinic. Prior to VFC they could receive free vaccine at public clinics under a pre-existing (non-entitlement) program.

- Children whose insurance does not cover immunization: These children are entitled to free vaccine if they get their shots at a federally qualified health center.

Reasons for Opposition to VFC:

Vaccine Manufacturers' Profits: The government has the right to purchase vaccine for the VFC program at below-market prices, which is why the drug companies oppose the program so vigorously. Prior to VFC, CDC had negotiated a lower price with vaccine manufacturers for the 50% of the market that CDC purchased at that time. When the VFC legislation passed, it automatically extended this lower price to all vaccine purchase under VFC, even though the government's share of the market was projected to grow to 70-80%. In some cases, the discrepancy between the CDC price and the market price is very significant. The manufacturers allege that the resulting revenue drop will significantly limit their research into new vaccines.

VFC also gave states the right to purchase vaccine for all children in the state at the low CDC price. Few have taken advantage of this option, but it has particularly enraged the drug companies.

How to Target Under-immunized Children: VFC's main advantage is that uninsured children can receive shots at their private doctors' offices, rather than having to make an extra trip to a public health clinic. It is common for private physicians to send uninsured children to clinics for their shots because they are free in that setting. However, often these children do not make it to the clinic, resulting in missed opportunities for immunization.

Critics like Senator Bumpers say that the children most likely to be behind on their shots are seen regularly by public clinics and private doctors, and that they miss their shots not because of cost but because their parents are not aware of the immunization schedule (which is quite complex), or because the parents are not well-organized or responsible enough to see to it that the vaccinations take place. These critics point to the fact that almost all children get their shots by age 6, when they must have them in order to start school. They would prefer to focus on enhancing public clinic outreach to these families rather than creating a new child entitlement.

Our response is that we agree that cost is not the only barrier, which is why VFC is just one of five parts of the Childhood Immunization Initiative. Other components include grants to states and localities to expand public clinic services, a community-based outreach effort to educate parents and providers, and better detection of vaccination levels and outbreaks of infection.

Options: Staff from the Domestic Policy Council and the First Lady's office have developed some options for modifying the program's structure and eligibility; they have been discussed with HHS and OMB. We are planning to convene a meeting with the chief of staff very soon to decide on our legislative strategy, including how strenuously to defend the program's current structure.

The likelihood that Medicaid will be block granted means that the program won't survive in its current form. If Medicaid is block granted, the best outcome would be to structure the vaccine program as "entitled" grants to states for immunization. Key questions are whether to let states decide which children they will serve, or to cut back explicitly on which children are eligible for the program. We could respond as we have in the Medicaid block grant debate, by fighting Congress's proposals but laying out our priorities and offering to work with them on changes to the program.

In the meantime, we have more information on the program if you need it.

cc: Erskine Bowles
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Talking points - Vaccines for Children

The vaccines for children program is an important part of the broader Childhood Immunization Initiative. The CII includes five key strategies to improve preschool vaccination rates. These include improving the quality and quantity of vaccination delivery services; reducing vaccine costs; increasing awareness, community participation and partnerships; improving the monitoring of disease and vaccination coverage; and improving vaccines and vaccine use.

Improving preschool immunization rates is one of the Clinton Administration's highest priorities. Since taking office, the Clinton Administration has doubled funding, and guaranteed funds for new vaccines. Legislation to launch a new Childhood Immunization Initiative was introduced soon after President Clinton's inauguration. A specific goal was set for 1996: increasing vaccination levels for two-year-old children to 90 percent for the most critical doses. And a new program to provide free vaccines to millions of poor and uninsured children was instituted.

While child immunization rates have improved since the 1989-1991 measles epidemic, VFC is a key part of the national strategy to reach the one million American children who are not fully vaccinated by age two. A 1993 survey found that 33 percent of pre-school children (average age 27 months) had not received a full series of the three most critical vaccines (MMR, DTP and polio). About 45 percent had not received the HIB vaccine, which protects children against bacterial meningitis; and 84 percent had not been vaccinated against Hepatitis B, which causes liver disease.

As an integral part of the CII, the Vaccines for Children program focuses on making free vaccines more widely available, reducing costs and missed opportunities for immunization. In the past ten years, immunization costs have increased ten-fold: the private cost of a full series of immunizations increased from about $27 in 1983 to $270 in 1994. A Spring 1992 survey by the American Academy of Pediatrics showed that 43 percent of pediatricians had increased their referrals to public clinics for vaccinations in the preceding ten years, primarily because of costs.

Under the VFC program, vaccines will be provided free to children who are enrolled in Medicaid or uninsured, and to native Americans and Alaskan natives. That means that physicians will no longer have to refer uninsured children to public clinics, a common practice that means missed opportunities for immunizations and fragmented care. And parents can choose which provider makes the most sense for their child, because the difference in price between the two settings ($270 and $129) won't be a factor.

This will make a tremendous difference for nine million uninsured American children. While Medicaid recipients can receive free vaccines under current law, working families have not had the same guarantee. Under VFC, more than one million infants and toddlers without insurance will now be guaranteed free vaccines, and their parents will pay only a modest administration fee. And because ten percent of all American children don't have health insurance, VFC will also help millions more older children who need follow-up vaccines at age four and fifteen.

Under VFC, every eligible child will receive vaccinations, even if parents cannot afford to pay the administration fee. Private doctors will continue to serve their regular patients, even if the parent or guardian cannot afford to pay the administration fee. Other needy children will not be charged a fee in public clinics.

In addition, VFC will provide free vaccines to children with limited insurance in rural health clinics and Federally Qualified Health Centers. In these settings, additional children whose insurance plans don't cover vaccinations will continue to be eligible for free vaccines.

Funds for new vaccines will automatically be provided. Under VFC, new childhood vaccines recommended by a federal advisory committee will automatically be purchased by the federal government and provided free to eligible children -- and budget constraints will never again limit or delay federal purchase of new vaccines.

States will be able to save money by ordering vaccines at the lower, government price. Because VFC will lower states' Medicaid costs for vaccines, these savings can be used to keep clinics open longer, or take other measures to increase immunization rates. And more states will be guaranteed the lower CDC price for the vaccines they do purchase.

Child immunization protects children and saves money. For example, every dollar spent on the MMR (measles/mumps/rubella) vaccine saves $21 in potential health care costs. For the DTP (diphtheria/tetanus/pertussis) vaccine, the cost-benefit ratio is 30 to 1. And for polio, it's 6 to 1.

Questions and Answers on the VFC Program
6/26/95

Q: The GAO has challenged CDC's assertion that the cost of vaccines is a barrier to childhood immunization. Is cost a barrier or not?

A: Cost is a barrier because it contributes to delays in achieving full immunization of preschool children with today's vaccines. The cost of the complete vaccine series has increased ten-fold in the past 12 years. Since parents must pay about $270 in vaccine costs and an additional amount in administration fees for the series, those without adequate insurance may not seek immunizations from their private doctors, but from public health clinics where vaccine is free or available at nominal cost. Having to make extra visits to public clinics can result in delays and missed opportunities for immunization.

Numerous surveys of practitioners and health departments have also documented increased referrals of patients from their primary care providers to public clinics, with cost as the most important reason cited. A 1992 American Academy of Pediatrics study revealed that 55 percent of pediatricians refer some or all or their patients to a public provider for immunizations. A 1992 North Carolina survey showed that 93 percent of physicians referred patients to health departments for immunizations, and states such as New York have showed similar trends.

Q: The GAO has recommended that the VFC program should be targeted to certain population groups and areas referred to as "pockets of need." Doesn't this make sense?

A: We believe, and Congress has agreed, that the proper goal of Federal immunization efforts is to raise immunization levels throughout the nation, and to put in place a sustainable system that will ensure that immunization rates remain high. The GAO conclusion assumes that "general immunization rates" are not now a problem and will not be a problem in the future.

While child immunization rates have improved since the 1989-1991 measles epidemic, VFC is a key part of a national strategy to reach the one million American children under two who are unvaccinated against one or more deadly diseases. A 1993 survey found that 28 percent of pre-school children (average age 27 months) had not received a full series of the three most critical vaccines (MMR, DTP and polio). About 40 percent had not received the HIB vaccine, which protects children against bacterial meningitis; and 84 percent had not been vaccinated against Hepatitis B, which causes liver disease.

Q: Does the Administration oppose folding the Vaccines for Children (VFC) program into a block grant?

A: The Clinton Administration has a very simple goal -- to improve preschool immunization rates. Since taking office, the President has lead an aggressive campaign to reach that goal, and we have made great progress. But we believe that our current investment in children's immunizations must be maintained. Childhood immunizations are one of the most cost-effective public health investments we can make -- they save lives and they save money. To take just one example, for every dollar spent on the measles/mumps/rubella vaccine, we save $21 in health care costs.

We are more than willing to work with Congress to make changes to improve the VFC program. But we are not willing to watch as Congress slashes funding for childhood immunizations in just one more shortsighted attempt to cut the budget.

Q: Is the Administration's position that VFC must remain an entitlement?

A: Our position is clear. We believe that the federal budget should be balanced, but in a way that makes sense. The President has laid out a proposal that retains coverage under Medicaid while reducing spending and giving states more flexibility. Medicaid is a critical health care program; it can certainly be improved,but not by cutting it dramatically to balance the budget. The same applies to VFC. If we can improve the way we are going about our childhood immunization efforts, we're certainly willing to work on it. But we must maintain poor and uninsured children's access to life saving and cost-effective vaccines.