

Vaccines: A Survival Guide for Pediatric Practices

Do you know if vaccines are providing an operating margin or a loss to your practice? If you have not run the numbers recently, consider the exercise below. As the price of vaccines increases and the schedule becomes more complex, vaccines have become a

loss leader for many pediatric practices. In order to effectively negotiate with private payers, pediatricians need to know exactly how much vaccines are costing them. Total the costs listed below to calculate the true cost of immunizing for your practice.

Calculating Direct Costs

Purchase price of vaccine
(include excise tax) _____

Sales or usage tax
(purchase price * % tax) _____

Calculating Overhead Costs

(Choose a timeframe - such as month or quarter - for which to calculate the following costs.)

Personnel costs to order and inventory vaccines _____

- ((Hours spent ordering vaccines + hours spent monitoring storage of vaccines)/ number of vaccines ordered) * hourly salary of administrative or clerical staff

Personnel costs for negotiating prices and tracking unpaid claims _____

- (Hours spent negotiating/number of vaccines administered) * hourly salary of staff

Storage costs _____

- (Cost of refrigerator + cost of freezer + cost of alarm/lock/temperate monitoring device + cost of generators in case of power outage + kilowatts used by refrigerator)/number of vaccines stored
- Rent and bills for vaccine-related appointments

Insurance costs against vaccine loss _____

- Cost of insurance/number of vaccines ordered

Wastage/non-payment _____

- Cost of vaccines ordered * 5%

Lost opportunity costs _____

- Cost of vaccines stored at any given time * reasonable return on investment
- Extra time spent explaining vaccines in a room that could be used for another appointment

Personnel costs for entering data into a registry _____

- Hours spent entering one vaccine into registry * hourly salary of staff

Calculating Administration Expenses

(See Business Case for Pricing Vaccines and Immunization Administration for the relative values used by Medicare.)

Physician Work _____

- Average time spent (in hours) with patient/parent answering vaccine questions * hourly salary of physician

Practice Expense _____

- Staff time (in hours) administering vaccine * hourly salary (including distribution of VIS and answering questions)
- Medical supplies (1 pair non-sterile gloves, 7 feet of exam table paper, 1 OSHA-compliant syringe with needle, 1 CDC

information sheet, 2 alcohol swabs, 1 band-aid) and medical equipment (exam table)

Professional Liability Insurance (as defined in the Business Case for Pricing Vaccines) _____

Participating in a Group Purchasing Organization

Group purchasing organizations (GPOs) are able to combine orders from practices, hospitals, nursing homes, and other medical facilities in order to receive volume discounts from specific vendors. Vaccine purchasing programs are one type of GPO. While the AAP does not have access to the lists of GPOs that may work with pediatric practices, pediatricians may wish to further investigate the following types of groups.

- **Health Industry Group Purchasing Association (HIGPA):** This member organization includes GPOs, manufacturers, and distributors. Contact HIGPA or link directly to members by visiting this Web site: www.higpa.org/member_orgs/Member_Orgs.asp.
- **Pediatrician-led Groups:** Some groups are exclusive to pediatricians or pediatric products. While these groups may not be as large as those from HIGPA, they may meet more of pediatricians' needs. Learn more about one pediatrician-led group at www.pediafed.com/vpp.
- **Distributors with GPO Component:** Some distributors offer pediatric-specific GPOs. Visit www.cispimmunize.org/pro/manufacturers.html for a list of distributors to call.
- **Practice Management Groups:** In addition to other consulting services, practice management groups may offer a vaccine purchasing agreement.
- **Hospitals or Nursing Homes:** These groups in your area may have their own vaccine purchasing agreements. If you are affiliated with the hospital, they may allow you to order through them.

Most GPOs require that you order all vaccines through them, although they may only contract with 2 or 3 manufacturers. Make sure the GPO you choose contracts with all of the vaccine manufacturers whose products you wish to use.

Negotiating Contracts

A new PediaLink education module has been developed to help pediatricians negotiate the best possible contract with private payers. The *Contract Negotiations With Payers* module presents techniques and processes to confidently conduct successful negotiations. Key topics include technical considerations, model contracts, negotiation styles, and a 4-phase negotiation process model.

This 5-hour module is targeted to pediatricians and their staff who have limited experience in negotiating payer contracts or who need a refresher course in this area. *Contract Negotiations With Payers* is available at: www.pedialink.org/cme/_coursefind-er/CMEdetail.cfm?aid=31177&area=liveCME.

Some tips from the module are below:

- Review the carrier contract for provisions on vaccine and immunization administration payments.
- Insist that there be provisions to address payment for new vaccines, vaccine price increases, and new immunization recommendations in a timely manner by the payer. See the Vaccine Addendum at www.aap.org/securemoc/reimburse/VaccineAddendumtoPayerContracts.pdf.
- If your practice is efficient and effective with high immunization rates then the health plan benefits as well with a higher HEDIS score. This is a good strategy for negotiation.
- Participate in your chapter's Pediatric Council to educate payers about true costs.
- Fill out an AAP Hassle Factor form on payers who perform poorly. See the Hassle Factor form at www.aap.org/moc/reimburse/hasslefactor.
- Currently, many parents are having difficulty obtaining HPV vaccine for their adolescent girls due to high capital outlay for pediatricians coupled with low payment by insurers. These parents are complaining to their insurers and employers, creating dissatisfied customers. It is in the insurers' and employers' best interests to pay for immunizations fairly to maintain customer satisfaction.



Contract Negotiations With Payers
Differentiate Your Practice Through a Better Contract

Vaccine Financing Resources

- Vaccine Coding Table- www.cispimmunize.org/pro/pdf/AttachmentB_VaccineCodingTable.pdf
- Business Case for Pricing Vaccines and Immunization Administration - www.cispimmunize.org/pro/pdf/The%20Business%20Case%20for%20Pricing%20New%20Vaccines.pdf
- AAP Task Force on Immunization White Paper- www.cispimmunize.org/immunizationcongress.htm
- Talking Points for Pediatricians on Vaccine Financing Issues at www.aap.org/moc/reimburse/talkingpoints.htm

- Vaccine Contract Addendum at www.aap.org/securemoc/reimburse/VaccineAddendumtoPayerContracts.pdf

General Resources

- Private Payer Advocacy pages: www.aap.org/moc/reimburse
- Childhood Immunization Support Project (CISP): www.cispimmunize.org
- Practice Management Online: <http://practice.aap.org>

For questions about immunization, please contact esobczyk@aap.org.

For questions about private payer advocacy, please contact lterranova@aap.org.