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### Making Vaccine Financing and Delivery Work for Everyone

As physicians, we provide a vital public health service when we vaccinate our patients. However, this practice is often a money-losing proposition for us. Many primary care physicians are even discontinuing immunizations in their practice. What can physician's vaccine manufacturers and insurers do improve the vaccine financing and delivery system. You are listening to ReachMD, The Channel For Medical Professionals. Welcome to a special segment, Focus On Healthcare Policy. I am your host, Dr. Jennifer Shu, practicing general pediatrician and author. Our guest is Dr. Jay Berkelhamer, Senior Vice President and Chief Academic Officer at Children's Healthcare of Atlanta, Clinical Professor of Pediatrics at Emory University School of Medicine and past president of the American Academy of Pediatrics.

#### DR. JENNIFER SHU:

Welcome Dr. Berkelhamer.

#### DR. JAY BERKELHAMER:

Thank you.

#### DR. JENNIFER SHU:

Now many physicians go into medicine to take care of patients, but many of us need to be well versed in the business of medicine in order to survive. Now, its no wonder that many physicians are dropping out of the vaccine system and in fact a small group of pediatricians right down the street per me has discontinued their vaccines and their patients now have to go somewhere else to get their vaccines. How common would you say it is in the United States for practicers to stop giving vaccines because of poor payment?

#### DR. JAY BERKELHAMER:

I would say it's less common than you might think. There is certainly many doctors who are struggling with this, but I would say there are even more doctors who continue to give the immunizations at a personal expense to them and to their practice, but it is a major issue for us, and I am afraid that if don't correct the situation that we will have made a big hole in the system here because the vast majority of the immunizations over 80% of the injections are given in doctor's offices.

**DR. JENNIFER SHU:**

Are you finding that some practices may be choosing to give certain vaccines based on payment and not carrying others perhaps the more expensive one?

**DR. JAY BERKELHAMER:**

Absolutely, when vaccines are not covered by insurance or they are not part of the vaccine for Children's Program and provided to the doctors offices, the physicians will expect that the family pay for the vaccine at the time of administration or if not they'll ask them to obtain the immunization at public health clinic or some other site.

**DR. JENNIFER SHU:**

Let us talk a little bit about the actual cost of the vaccine. When you have a retail product often there it is a suggested retail price. Do you find that all physicians are paying the same price for the exact same vaccine or are there some variation across it?

**DR. JAY BERKELHAMER:**

Now others they are considerable variation and you know, the price that is set is something which is done by the manufacturer and often times done in a way where the physician's reimbursement is less than it actually cost to purchase the vaccine. Now the whole system is really very difficult for the physician. The recommendations that come out from the Center For Disease Control come out and are made public and often times there is a delay before the insurance companies begin to reimburse for the vaccine and yet the families are anxious to get the vaccine for their children and the physician is put in the awkward position of having to give vaccines that have not yet been loaded into the system for the various insurance companies to pay for them and then once they do start paying for them, they all set rates for reimbursement which may be below what the physicians can actually get in their office depending upon the size of their office and the amount they buy, they may be able to get the vaccine for more or less, but it is still their personal cost in their office, which may be more than they are actually able to get from the insurance company and reimbursement.

**DR. JENNIFER SHU:**

Now, there is some kind of standard that said that gives insurers a guideline or a minimum to what they should be reimbursing?

**DR. JAY BERKELHAMER:**

Well, the insurers will, you know, actually look at what they feel as the average purchase price for a physician and then they will set it at that level, but that may or may not be what the physician was able to negotiate in his office.

**DR. JENNIFER SHU:**

Are there certain incentives that can be given to the private payers so that they can reimburse adequately or so that they might be able to do the vaccine purchasing up front and then shift them to physicians, what else can be done?

**DR. JAY BERKELHAMER:**

Well, you know, I think there could be tax incentives to the manufactures. I think that there could be a system where the physicians in their office are reimbursed at the purchase price in the area not just the average that the company has come up with some national scheme. I think there could be much more flexibility here to meet the cost of the vaccine in the physicians' office. The physicians could be helped with the purchasing may be through purchasing cooperatives, where they can get the vaccine at a lower price, but the insurance companies need to work with the physicians to make sure that there are not being hung out to dry sort of speak, where they have to makeup difference with what the insurance company has calculated as a fair reimbursement and what the physician in a small offices ending up having pay.

**DR. JENNIFER SHU:**

Let us talk a little bit more about that purchasing cooperative. Is that the same thing as a group purchasing organization?

**DR. JAY BERKELHAMER:**

Yes and you know that is a way where physicians may be able to take part of the size issue, where you have a small practice and small business by working is a part of a purchasing cooperative. You may be able to buy large enough quantities, where you can get a more competitive price.

**DR. JENNIFER SHU:**

Do you think most physicians are taking advantage of that type of process?

**DR. JAY BERKELHAMER:**

You know, unfortunately, I think what's happening is that the numbers of payers, you know, and the complexity of getting reimbursement and just all the contingencies of running a day-to-day office, is in many situations overwhelming a physician in his small practice. The physician is really coming to work everyday, trying to see his patients one after another and I think it is making more and more difficult for the doctor and private practice just to be able to manage the business aspects of their office and so I think in a larger practice setting with professional help in the office, some physicians are able to do better in this regards than others, it is quite variable.

**DR. JENNIFER SHU:**

Let us switch gears a little bit and talk about when a manufacturer increases a vaccine price. I believe this happen not too long ago with a pneumococcal conjugate vaccine. What happens when all of a sudden the cost of the vaccine goes up?

**DR. JAY BERKELHAMER:**

Well, the physician is left in a very difficult situation. He has got patients coming into the office who are due to get the vaccine, expect to be able to get it and their insurance plans entitle them to it, and the physician is now in the situation where they are providing a vaccine

that cost them more than they are able to recover from the insurance company, and you know there has not been really the coordination that needs to occur between the insurance payers and the manufactures so that these things sink up. I mean there should be if there is a truly a need to increase the purchase price of the vaccine, then there needs to be some coordination then with the payers so that the payers have the ability to also adjust their payment rates.

**DR. JENNIFER SHU:**

Is there something you could right into your contract with the payer in the event that the vaccine price does go up?

**DR. JAY BERKELHAMER:**

You know, smart contracting is something here that could help some of the docs, and you know, I think that a physician should not just take whatever is given to them as a contract from a third-party payer and that they need to get the kind of detail like you are talking about into their contracts. They can write those kinds of provisions in. You know, sometimes it is importance for a physician to just say no and say I am not going to do this unless you agree to pay me what is going to cost me to provide these vaccines.

**DR. JENNIFER SHU:**

If you have just joined us, you are listening to a special segment, Focus On Healthcare Policy. I am you host, Dr. Jennifer Shu. Our guest is Dr. Jay Berkelhamer, past President of the American Academy of Pediatrics. We are discussing the role of physicians, vaccine manufactures, and insurers in improving our vaccine financing system.

**DR. JAY BERKELHAMER:**

Now again, when physicians are aware that there is gong to be a price increase, typically do they get some kind of notice, advance warning, from the vaccine manufacture that this will happen?

**DR. JAY BERKELHAMER:**

You would hope so, although, I have heard of instances where that happens very precipitously and that there is insufficient advance warning, and there is enough time delay between the change in price and the ability for the insurance companies to then change their payment rates.

**DR. JENNIFER SHU:**

Would the physician that will be able to **stock up** on the vaccine at the old price?

**DR. JAY BERKELHAMER:**

Well, you know, I think may be that happens in some instances but now you are investing even more money in stockpiling vaccines in

your refrigerator in your office and you know that too becomes a carrying cost for the practice to keep large supplies of vaccines in stock that may take a long time than to use up and recover reimbursement from, so that may become sort of an act in utility really because you are having to put up all the money in your stock.

**DR. JENNIFER SHU:**

If there are any sense than in waiting kind of until the last minute to keep your stock adequate for patients?

**DR. JAY BERKELHAMER:**

Well, I mean ideally. You would like to have the smallest number of biologicals in your office that you need in order to meet the day-to-day needs in your practice, but then if you have got a spotty system of recovery, where its hard for you to get the vaccines in a timely manner, then you end up stockpiling, but I mean in the most efficient situation you would have a ready source of vaccines coming into your office, than you would keep a minimal supply in your office and so it becomes a real management issue and you have to have staff that are working with you, helping you with this day and day out.

**DR. JENNIFER SHU:**

Do you find that physicians are able to negotiate with a vaccine manufactures and distributors to be able to return any unused products?

**DR. JAY BERKELHAMER:**

Some of the manufactures for some of the vaccines have done that, but I would again say we are dealing with a very complex system across the country with lots of variations from one place to another. You know, where 50 different states for many different localities, if there was a single overall thing we could do, we would try and make some universal sense of this vaccine program, which is so varied and so different from place-to-place.

**DR. JENNIFER SHU:**

As you mentioned, the system itself is complex, but I have also found that there is also some sense of suspicion in the public, and I have heard people saying that our doctors are making so much money from vaccines. You know that kind of thoughts.

**DR. JAY BERKELHAMER:**

It is terrible. It is absolutely terrible and we know that's not true and doctors see this primarily is a service to their patients that often is an expense to the practice, doctors are loosing money on administering vaccines in many practices. We find as many as 1 out of 5 families who come in are questioning the doctor about the safety of the vaccine. This has become a major headache for us and is the numbers of vaccines have increased, the numbers of things we are trying to prevent and these are wonderful scientific advances, and the vaccines are safe and they are effective and yet the public hasn't really understood, may be because so many things have happened so quickly and you know what the American Academy of Pediatrics is working on now really is a publicity kind of and an educational kind of campaign, so that people can become better aware of just how safe these things are. We really shouldn't have our Hollywood movie stars pontificating on the safety and the effectiveness and the indications and contraindications. We really need to get our professional

expertise out there and have families understand that we are there to help them and serve them to do what is best for their children.

**DR. JENNIFER SHU:**

Now moving along to what manufactures can do to help improve the system, are there any changes that can be made such as manufactures offering advanced vaccine products to physicians who have had good payment histories with them?

**DR. JAY BERKELHAMER:**

There ought to be all kinds of things that the manufactures do to make this simple for the doctor in your office and to make it more economically feasible, and I am convinced that the manufactures are trying to do some of these things, they really are and in my mind there are no evil people out there. There are people who are misinformed, there are problems in each of the stakeholders in the vaccine system doing things in ways that make sense and that are responsible and coordinated. Unfortunately, the doctors the end user of these materials and often is left with the financial consequences of a system that is dysfunctional.

**DR. JENNIFER SHU:**

Now since the physician is the end user of these products, they also need to have some type of business sense, and when I was training a residency, I definitely had no exposure at all to the business side of medicine, especially vaccine ordering, financing delivery. Our residency programs doing a better of teaching the business aspect of medicines to physician and what kind of resources exist for pediatrician who are just getting started in practice?

**DR. JAY BERKELHAMER:**

Well, certainly the American Academy of Pediatrics has put together educational materials on this subject and readily available for practicing pediatrician's residency programs across the country are including more and more content in resident education on the actual business of medicine. One of the things that concerns me, Jennifer, is that it is becoming increasingly difficult for the small office, for the practice with just several physicians in it or even a solo physician to stay on top of all this stuff and it really has become increasingly important I believe for physicians they have business partners or business colleagues who are working with them to help make business sense out of their practice. It's become a very complicated role out there for us.

**DR. JENNIFER SHU:**

I would like to thank our guest, Dr. Jay Berkelhamer, past president of the American Academy Of Pediatrics. We have been discussing the role of physicians, vaccine manufactures, and insurers in improving our vaccine finance system. I am Dr. Jennifer Shu. You have been listening to our special segment, Focus On Healthcare Policy on ReachMD, The Channel For Medical Professionals. Be sure to visit our website at [www.reachmd.com](http://www.reachmd.com), featuring on-demand podcasts of your entire library and thank you for listening.

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