

Testimony Immunization Program
Health and Human Services Committee
October 7, 2010

Mister Chairman and Committee Members, for the record I am Rod St. Aubyn, representing Blue Cross Blue Shield of North Dakota (BCBSND). Thank you for the opportunity to visit with your committee on the immunization program.

The entire world of "health insurance" has changed significantly in the past several months, especially with the passage of the new federal health care reform law. In addition to all of these changes, the immunization program has also been quite a challenge. BCBSND has always recognized the importance of childhood immunizations and has been an active partner with the State Health Department in their on-going efforts to ensure that all ND children continue to receive the recommended immunizations. We have been an active participant when the decision was made to switch to the "provider choice" immunization program as a result of a previous directive from the federal government. This change has been a real challenge for the Health Department, local public health units, and insurers alike. A lot of time and money have been invested into the program to make it work as effectively as possible. There have been many growing pains along the way, but somehow we have all managed to adapt and survive. It has taken a lot of patience on all parties as these issues are slowly resolved.

It now appears that the state may once again be able to go back to a "universal select" immunization program, thus being able to secure vaccines at the federal pricing schedule for all. BCBSND is supportive of the state utilizing the "universal select" program. While we would personally prefer that the state fully fund immunizations for all children in order to create the easiest process to ensure that more children are immunized, we recognize the financial impact that this may have on the state. If the decision is to expect private insurers to pick up the cost for their insured members, utilizing federal pricing for the vaccines will definitely save money for the insured's members. We would estimate that BCBSND could realize savings close to \$2 million a year by capitalizing on the federal vaccine pricing schedule and a lower administration fee. One concern is that the pharmaceutical companies will eventually increase the price they offer to the federal government for these vaccines due to the reduction to their sales income, and thus eliminate the ability to purchase at the discounted rate. However, that is not expected to happen in the near term.

Because of changes within the Patient Protection and Affordable Care Act, how this new "universal select" is implemented could have a significant impact on our company and other insurers. Insurers are now expected to have a medical loss ratio (MLR) of 80% for the individual and small group market and 85% for the large group. In layman's terms, this means that 80% or 85% of every premium dollar must be used for actual claims. No more than 20% or 15% can be used for administrative expenses. Normally our company would not be concerned about this standard, but it all depends upon how HHS defines what is considered claims. The rules are not yet finalized. The NAIC offered a recommendation for HHS and we are awaiting the final regulations. If an insurer does

not meet the 85% or 80% medical loss ratio standard, the insurer is expected to pay rebates to its insured members. To implement this new "universal select", if it is decided that assessments are made against insurers, the federal government may decide that this is not an actual "claims expense" and could be detrimental to all insurers. We have discussed the option of having the Health Department bill each insurer for their members for the vaccines, listing each vaccine and the members receiving the vaccine. This process will most likely be acceptable as a claim and would not jeopardize the MLR regulations. We can't say that for sure since the regulations have not yet been finalized. However, it appears that this would actually be a claim since it is for the vaccine and can be assigned to a particular member.

There are some unknowns how the process will work with this "Universal Select" program. Depending upon the process, it could require some additional computer programming for insurers and/or the providers. A lot of programming has already been done for the current system. It may be possible that these changes could be minimal, but until the process is clearly identified we just don't know for sure. If the legislature should decide to switch to the "Universal Select" process, it may be advisable to delay implementation until January 1, 2012, instead of July or August, 2011. That will permit adequate time to make the transition in case programming is needed and also to avoid the "August school immunization rush". Once the process is clearly identified, perhaps it could be implemented sooner, but until everything is known it may be advisable to have a delayed implementation.

The other issue we would have in the process is that it should apply to all insurers and should not be a voluntary compliance issue. With the changes in the health care reform law, having a voluntary compliance issue would put those volunteering in an unfair competitive disadvantage.

In summary, BCBSND would be supportive of the proposed "Universal Select" vaccine program with the following stipulations:

- It must apply to all insurers.
- There must be an itemized claim submitted to the insurer from the Health Department or some provider showing the vaccine and member's name.
- A delayed implementation date may be necessary if additional programming is necessary by either the insurer or the providers.

Mr. Chairman and committee members, thank again for the opportunity to testify before your committee. I would be willing to try to answer any questions your committee may have.