

Kaiser Permanente Request for an Alternative to the Standard Assessment Methodology under the WVA Plan of Operation

Background:

Kaiser Permanente Northwest (Kaiser) is a multi-state health system operating as a health plan in Washington State (WA) with WA based clinics. Kaiser is a non-WA domiciled entity for which WA represents a minority of its total health plan membership. Kaiser operates a centralized vaccine distribution system for its Oregon clinics. Kaiser has determined, in its view, that with all-in system costs considered for Kaiser's unique situation it is more economical to purchase vaccines for its WA members through the standard Kaiser system, rather than comply with the de-centralized vaccine distribution system that is required to participate in the WA Childhood Vaccine Program.

The Washington State Department of Health (DOH) understands that it must meet all CDC contract requirements for vaccine distribution and quality control, including those related to site-specific monitoring. The DOH has determined that the centralized system preferred by Kaiser would not meet program requirements under the CDC vaccine universal purchase contract. Kaiser will discontinue its participation in the WA Childhood Vaccine Program for its Washington clinics, but has proposed a carve-out allowing it (i) to assure that all children continue to receive all recommended vaccines as a covered benefit and (ii) to make the WVA whole for any indirect costs to WVA or other payers due to Kaiser's non-participation.

Kaiser has not received vaccines from the DOH since September. It has not paid assessments on its own members for vaccines received from WA since the program inception on May 1, 2010. Kaiser is in the process of issuing checks for the months of vaccine payments it owes.

Purpose:

The purpose of this policy is to address Kaisers proposal to pay the mark-up costs between the CDC contract price and the WVA assessment rate, on vaccines administered in its WA clinics to Kaiser members under 19. Under the WVA Plan of Operation, payers issuing or renewing health benefit plans in WA must comply with the per-dose assessment mechanism as set out in such Plan and pay assessment amounts for each vaccine as set forth on the WVA's assessment grid and posted on the WVA website.

Policy:

Kaiser will pay its share of the assessment for eligible Kaiser members receiving vaccines in Kaiser WA clinics. This amount, the difference between the CDC contract price for

vaccines and the WVA assessment for those vaccines, will be paid to the WVA, with the exception of those children that are VFC eligible. The payment will be made on a monthly basis, with supporting data from Kaiser indicating the eligible doses of vaccines administered. This policy defining an alternative assessment payment to that spelled in the Plan of Operation is unique to Kaiser and is granted at Kaiser's request. Kaiser will purchase vaccines for its WA clinics privately through a group arrangement and maintain its own vaccine distribution system assuring that all vaccines available to other children in the State of WA pursuant to the WVA / DOH standard system are also available to Kaiser-covered & Kaiser-serviced children. Notwithstanding those payments, in light of WVA's accommodation of Kaiser's request, in the WVA Kaiser Exception Policy– November 16, 2010 Page 2 of 2 event of any liquidation or distribution to payers of WVA assets, Kaiser will not participate in any such distribution.

Rationale:

This policy will allow the WVA to be made whole since it would otherwise lose this assessment amount over the CDC contract rate that contributes to the WVA margin for administration, leakage, other program costs, and liquidity reserves. The proposal meets the requirement that WA based payers fund the WVA in order to support WA's Universal Purchase vaccine policy.

Support for Policy:

This policy has been discussed among the WVA, the DOH, and Kaiser. The WVA Operations Team supports this proposal. It represents the operational understanding now in place among all organizations involved.

Included in this understanding is the agreement that Kaiser will repay the WVA for vaccines provided to Kaiser members from May 1, 2010 through September 30, 2010. These payments will start immediately and be completed prior to the end of November 2010.