

WASHINGTON VACCINE ASSOCIATION

Plan of Operation

[Sec. 3.(5)(b)]¹

WHEREAS, the Washington legislature has enacted SSHB 2551, Ch. 174, 61st Leg., 2010 Reg. Sess. (Wash. 2010) (the “Act”) establishing a mechanism to assess insurers for the costs of vaccines provided to certain children in Washington;

WHEREAS, the Act authorizes the formation of a not-for-profit corporation known as the Washington Vaccine Association (the “Association”);

WHEREAS, the Association is governed by a Board of Directors (the “Board”);

WHEREAS, the Act requires the Board to develop a Plan of Operation (the “Plan”) and to submit the Plan to the Secretary of the Department of Health (the “Secretary”) for approval;

WHEREAS, the Association has members (“Members”) consisting of (i) all health carriers issuing or renewing health benefit plans in Washington state; and (ii) all third-party administrators conducting business on behalf of residents of Washington state or Washington health care providers and facilities; [Sec. 3.(1)]

RESOLVED that the Board hereby adopts the following Plan as required by the Act:

ARTICLE I

Effective Date / Amendment

This Plan and any amendments to same as may be approved from time to time by the Board shall become effective upon the approval of the Secretary. Amendments may include a retroactive effective date if such date is proposed in the amendments and approved by the Secretary. The completion of any blanks in the exhibits will not constitute an amendment to this Plan, but the change in the structure or substance of any Exhibit will be considered an amendment requiring approval.

ARTICLE II

Conformity to Act, Articles and Bylaws; Limitation of Liability

The Association shall perform its functions under this Plan and in accordance with the Act, which is hereby incorporated as part of this Plan. The provisions of the Articles of Incorporation and the Bylaws of the Association, as amended from time to time, are incorporated in this Plan of Operations by reference. The liability of the Association, its members, directors, officers, employees and agents, and of health care providers arising from the lawful performance of their duties or required activities under the Act shall be limited as provided in the Act,² and further

¹ Bracketed references throughout this document are to the Act as referenced in the first WHEREAS clause of this Plan of Operation.

² See, for example, Sec. 8 of the Act.

limited as provided in the Articles of Incorporation and Bylaws of the Association, as amended from time to time.

ARTICLE III

Management of the Association and its Assets

The Association shall have no employees. Rather, the Board shall select one or more third parties to provide services needed to administer the Association and to implement the steps contemplated in the Plan. Included among such third parties, the Board may retain an administrator to serve as its executive director (“Executive Director”) and manage the day-to-day affairs of the Association.

ARTICLE IV

Public Awareness

The Board may establish and maintain public awareness of the Association through development of a static website containing basic descriptive data and downloadable copies of the Association’s Articles and Bylaws, together with this Plan and such other data as the Board or the Executive Director may determine to be helpful or necessary from time to time. If, in the judgment of the Board, additional efforts are required to establish and maintain public awareness of the Association, the Board shall be authorized to undertake such additional efforts. The Board shall include the estimated costs for its public awareness program in its annual budget.

ARTICLE V

Administrative Expenses / Accounting / Financial Reporting

A. Financial and Other Records. Monthly, quarterly and annual financial records shall be maintained and distributed by the Executive Director in accordance with the schedule set forth in **Exhibit A**.

B. Auditing. The Association shall retain an independent CPA firm to conduct an annual audit of the financial statements of the Association. The audit shall be conducted in accordance with generally accepted auditing standards, and an opinion shall be rendered by the CPA firm as to whether the Association’s financial statements are fairly stated in accordance with generally accepted accounting principles. In conjunction with the annual audit, the CPA firm shall produce a management letter for the benefit of the Board. The results of the annual audit, together with the management letter, shall be presented to the Board’s audit committee and forwarded to the entire board. The CPA firm selected by the Association must be authorized to do business in the State of Washington.

C. Budgeting. The Executive Director shall draft an annual expense budget for review, modification as deemed necessary or appropriate, and approval by the Board prior to the commencement of each fiscal year. The Board shall assure that adequate internal control policies and procedures with respect to the handling of Association assets and liabilities by the Executive Director including but not limited to, cash, cash receipts, cash disbursements, assessments, investments, accounts payable, and administrative expenses, are in place, and may, in its discretion, at any time, engage the CPA firm to review such policies and procedures.

D. Bank Accounts. Money and marketable securities shall be kept in bank accounts and investment accounts as approved by the Board. The Association shall deposit receipts and make disbursements from these accounts. All bank accounts/checking accounts shall be established in the name of the Association, and shall be approved by the Board members. Authorized check signers shall be approved by the Board. Two signatures shall be required on all checks in excess of \$2,500.00.

E. Examination and Annual Report. The Association shall be subject to examination by the Secretary. The Board shall submit to the Secretary each year, not later than 120 days after the Association's fiscal year, a financial report and a report of its activities during the preceding fiscal year.

ARTICLE VI

Assessment Collections / Remittance to Universal Vaccine Purchase Account

A. Interest Rate on Late Assessments. [Sec. 6.(2)] The Association establishes the interest charge for late payment of assessments equal to the product of (i) the number of days past due times (ii) .000493 times (iii) the amount past due. The interest charge for late payment shall be added to amounts due for any assessment payment received after its due date. The Executive Director shall follow up with respect to any late assessment receipts in accordance with the policy set forth in **Exhibit B**.

B. Remittance to Universal Purchase Account. The Association shall remit its assessment receipts, less the Association's administrative costs and any reserves set by the Board or the Executive Director from time to time, to the credit of the universal vaccine purchase account ("UVPA") established pursuant to RCW 43.70.720. Funds transferred to the UVPA shall be delivered on a "just in time" basis, in order to support the assessment collection process and to enable the Association to gain as much interest income as reasonably possible through its collection process to help offset its costs of administration. The Secretary's or the Secretary's designee shall have access privileges to be able to directly observe the balances in the Association's accounts, and the Association shall promptly respond to any inquiry of the Secretary concerning the availability and timely transfer of funds, enabling the Secretary to make payment of the Association's share under the Act for vaccine purchases made by the State of Washington.

ARTICLE VII

Disputes

A. Member Appeal of Disputes to Board. [Sec. 3.(5)(b)] Members may request permission to appear before the Board at any time in connection with any dispute with the Association relating to an assessment or assessment reconciliation. No request or appeal relating to assessments shall be heard until the protesting party has paid the assessment in full. Any assessment amount paid under protest and not based on Member error, Member negligence, or Member misconduct shall be held in an interest bearing account with principal and interest to be paid to the prevailing party upon final resolution of the protest.

B. Arbitration. All disputes and differences that cannot be agreed upon by the parties will be decided by arbitration. The arbitrator(s) will have the authority to interpret this Plan of

Operation and in doing so, shall consider the customs and practices of the insurance industry. The arbitration shall be conducted under the auspices of the American Arbitration Association in accordance with its commercial arbitration rules. Such arbitration shall be held in Seattle, Washington. This agreement to arbitrate shall be enforceable and judgment upon any award may be entered in any court having jurisdiction, which the parties hereby stipulate and agree, will include any court of appropriate subject matter jurisdiction located within the state of Washington. Reasonable costs of arbitration shall be borne equally by the parties and each party shall pay the cost of its own personnel and counsel involved in such proceedings.

**ARTICLE VIII
Miscellaneous**

A. Directors Terms and Appointments. [Sec. 3.(4)] The directors’ terms and committee appointments are set forth in Exhibit C.

B. Assessment Prepayments. [Sec. 4.(7)] The Association shall use its best efforts to obtain startup funding from Members via collection of prepayments against their respective future assessment liabilities to the Association. The provisions for return of such prepayment amounts are set forth in this section of the Plan of Operation. No subsequent amendment to this Plan of Operation or any other governing document of the Association after the date of any given Member prepayment shall operate in any manner adverse in any way to the rights of the Member under the Association’s governing documents, including this section of the Plan of Operation, as such provision was stated at the time of deposit. Further, the following overriding provision shall apply to any other section of the Association’s Plan of Operation so long as any prepayment balance remains outstanding with respect to any Member:

1. Minimum Reserve Factor. In each assessment determination, the Association shall increase the estimated amounts otherwise needed for vaccination purchases and administrative costs by a factor of not less than ten percent (10%) for purposes of building the Association’s reserves and reducing prior prepayment balances.

2. Repayment Target Dates. The Association will use its reasonable best efforts to repay the following portions on or before the dates set forth below:

Cumulative Percentage Repayment	To Be Made on or Before
30%	18 months from date of deposit
60%	24 months from date of deposit
100%	Earlier of (a) 30 months from date of deposit; or (b) the date of any Board vote to recommend discontinuation or liquidation of the Association; or (c) any voluntary or involuntary filing of liquidation, receivership, bankruptcy or similar proceeding which is not completely withdrawn or terminated within thirty (30) days of such event.

The Association is permitted and encouraged to repay the amounts earlier than the schedule set forth above.

3. Repayment Priorities. Any prepayment amounts shall be made *pari passau*, within priority group, against all Member balances according to the following priority:

- (a) First, to any balances outstanding beyond a prior due date;
- (b) Next, among all balances reaching the respective prepayment target date, within six (6) months of the proposed payment; and
- (c) Finally, to all remaining prepayment balances.

One hundred percent (100%) of amounts due with respect to any of the above priority levels shall be repaid prior to the application of any funds to any lower level of priority.

4. Member Offset. In the event that the Association shall not timely complete any of the repayments contemplated by the above schedule on or before the respective due date, the Member shall have the absolute right to offset all or part of any such shortfall in payment against any assessment, billing, reimbursement or other liability of any nature whatsoever of the Member to the Association.

5. Interest Rates.

(a) **Not Past Due.** As of the first of each month, interest shall be added on outstanding balances not past due at the following rates:

<u>Period of Time</u>	<u>Rate</u>
2010	0%
2011 – January through June	2%
2011 – July through December	4%
2012 and thereafter	6%

(b) **On Late Repayments.** As of the first of each month, any past due repayment balances will be increased by adding interest at the rate of .000493 times the number of days the respective balance is past due from the original due date to the first of that month. This interest amount will not compound, but will be recalculated as of the first of each month, and stand as the repayment amount applicable under the Plan of Operation to the end of that respective month.

(c) **Rate Calculation Methodology.** All interest rate calculations shall be based upon simple interest, compounding monthly, using the 30/360 interest calculation method. Further, no interest shall accrue for any fractional month at the beginning or end of the calculation period. The interest for each month, when applicable, shall be added to the remaining prepayment balance for each member shown on the records of the Association as of the first of each month following the period in which any interest is due under the above provisions.

6. Reserve Fund Target. The target of the reserve funds collected and the repayment program with respect to Member prepayments will be to reach a standing reserve equal to two (2) times the highest projected monthly cost of vaccines contemplated under Sec. 4. of the Act during the upcoming 12 months, plus normal ongoing monthly operating costs of the Association based upon the Association's Board-approved ongoing annual budget for operations after the Association's six-month startup period.

7. Liability of Association solely. The Association shall be solely liable to repay any prepayment balance. No Member shall have an obligation to pay, or contribute to repayment by the Association of, prepayments made by other Members.

C. Executive Ethics Act Considerations. No state employed officers or directors shall receive compensation for services rendered, reimbursement for expenses, or remuneration of any kind from the corporation and state employed officers and directors shall otherwise comply with the Executive Ethics Act, chapter 42.52 RCW.

ARTICLE IX Assessment Plan

A. Conceptual Starting Point. The Association received, with gratitude, the report of that certain operations mechanism work group which had labored on a diligent basis to expedite development of the mechanism described in Sec. 4.(4) of the Act. That Vaccine Operational Mechanism Report ("VOMR"), as submitted to the Board at its organizational meeting on April 2, 2010, is attached as Attachment A. The Association also is grateful for the work of representatives of the Washington Department of Health and the provider community who have collaborated in the preparation of the VOMR.

B. Transition to Per-Dose Mechanism. The Association authorizes the Operations Mechanism Work Group to commence immediately actual implementation of the assessment mechanism contemplated by the VOMR. The Association will (1) allow any provider required under the VOMR to submit separate dosage-based assessments starting May 1, upon that provider's written request, to defer such provider's implementation date for up to thirty (30) days; and (2) encourage any provider not required under the VOMR to commence such assessment processing as of May 1 nonetheless to commence such processing May 1 or at the earliest reasonable date reasonably convenient for the provider. The Association will prepare a registry on its website to facilitate confirmation by providers of the effective commencement of origination, on behalf of the Association and under the Association's taxpayer ID, of the Association's dosage-based assessments.

C. Advice Regarding Current Intent. The Association shall work with its directors and Members as well as representatives of the provider community to communicate the Association's current intent to adopt, effective May 1, 2010, a dosage-based assessment program substantially in accordance with the VOMR. After consultation with provider community leaders serving on the Board, the Executive Director is instructed to hold an informational and feedback provider webinar on April 23 to provide public information about the VOMR and receive comments from the provider community concerning the VOMR and procedures for provider submission on behalf of the Association of assessments as dosage-based transactions. The Board contemplates acting not later than May 10, 2010 concerning any revisions to the methodologies recommended in the VOMR, with the initial methodology to be effective for all vaccine administrations on and after May 1, 2010.

D. Assessment Grid. Prior to April 28, 2010, the Association will post to one or more public web sites a grid of assessment amounts ("Assessment Grid"), by vaccine, to be applied to transactions under the per-dosage-based assessment methodology. From time to time, the Association will update the Assessment Grid as needed to assure that adequate funds, in aggregate, are available each month for transfer to the State's universal payment vaccination account [Sec. 10] for timely payment of invoices arising from the State's purchase of vaccines for which the Association is charged to provide funding under the Act.

In accordance with Sec. 3.(5)(c) of the Act, the foregoing Plan of Operation, as amended, is approved by the Secretary.

By: _____

Mary Selecky, Secretary
Washington Department of Health

Dated: April 16, 2010

EXHIBIT A

Schedule of Financial Statements

Financial Statements will be released on the following schedule:

1. Monthly Statements: To the Treasurer and the Chairman of the Board 15 business days after the close of each month.
2. Quarterly Statements: To the full Board 20 business days after the close of each quarter.
3. Annual Statements: Management's statements will be ready for internal review 60 business days after the close of the year; full statements will be released to the public as soon as the audit is completed and the audit report accepted by the Board.

EXHIBIT B

Follow-up for Past Due Assessments

Protocol A: For all carriers and TPAs (“Assessed Entities”) falling, within ranked by size in aggregate amounts of assessments payable by the respective entity from the top (highest) amounts to the bottom (lowest) within the top 90% of assessments due

- Make a phone call one business day after due date
- Send a fax reminder five business days after due date
- Send a letter reminder three business days after the fax reminder with a copy to the board of directors

Protocol B: For all Assessed Entities falling within the top 90% to 98% of assessments due

- Make a phone call three business days after due date
- Send a fax reminder seven business days after due date
- Send a letter reminder five business days after the fax reminder with a copy to the board of directors

Protocol C: For all Assessed Entities falling within the top 98% to 100% of assessments due

- Make a phone call five business days after due date
- Send a fax reminder eight business days after due date
- Send a letter reminder ten business days after the fax reminder with a copy to the board of directors

EXHIBIT D

Prepayment Receipt

Amount: _____ Dollars
(\$ _____)

Date of Receipt: _____

Association Member (“Member”): _____
[Entity Name]

[Entity Address]

[Entity Phone]

[Entity Contact Individual]

The Washington Vaccine Association (the “Association”), pursuant to authorization of its Board of Directors and its Plan of Operation, acknowledges receipt of prepayments as contemplated under Section 4.(7) of SSHB 2551, Ch. 174, 61st Leg., 2010 Reg. Sess. (Wash. 2010) enacted by the Washington legislature. These funds are to be held and utilized by the Association in accordance with the provisions of the Plan of Operation.

Upon request of the Member at any time, the Association shall, within three (3) business days of Member’s request, confirm, to the Member the unpaid prepayment balance, according to the books and records of the Association.

WASHINGTON VACCINE ASSOCIATION

By: _____

Its: _____

Date: _____

Plan of Operation Attachment A

Vaccine Operational Mechanism Recommendation Presented to the Washington Vaccine Board of Directors

The purpose of this document is to obtain approval from the Washington Vaccine Association (WVA) Board for the interim dosage based assessment (DBA) claims approach.

Background

The Operations Mechanism workgroup, which comprises members of the Association of Washington Health Plans (AWHP), has been meeting for the past two months to develop a dosage based assessment mechanism for the WVA. The workgroup has been open to all AWHP member plans, with participation by Aetna, Cigna, Group Health, Regence and Premera. The workgroup also collaborated with Providers and the Department of Health (DOH). Both groups provided valuable input, with DOH being involved in the last few workgroup sessions.

Workgroup Objective

The workgroup established the following key objectives for the development of the dosage based assessment mechanism:

- Ensure long term financial integrity for the Washington Vaccine Association
 - Create a mechanism that retains DOH eligibility for the CDC discount
 - Create a mechanism that would support DOH access to funds when needed
- Maintain the current vaccine procurement and distribution process between DOH and the Providers
- Ensure all recommended and approved vaccines received by Washington residents under age 19 with insurance are accounted through the dosage based assessment
- Strive for administrative simplification for Providers, Payers and the WVA

Development Process

The workgroup identified options that would meet the above objectives. Payers collaborated with Providers resulting in additional options identified for consideration. The workgroup also explored the potential for technology solutions as the foundation for the mechanism. It was determined that it would not be feasible to implement a technology solution, prior to the effective date, that would support all stakeholders.

To ensure that funds begin flowing to the WVA as soon as possible, the Operations Mechanism workgroup concluded it was essential to have interim mechanisms available for use by May 1, 2010. These interim mechanisms will allow the Operations Mechanism workgroup and the WVA adequate time to evaluate and better understand Provider and Payer behavior before implementing a long term solution.

INTERIM RECOMMENDATION: Dosage Based Assessment (DBA) Claim

For dates of service on or after May 1, 2010, the interim recommendation is to require Providers to submit a Dosage Based Assessment (DBA) Claim. This approach requires the Provider to submit two claims to the Payer:

- One claim for the dosage based assessment with the WVA tax number. The Payer processes the dosage based assessment claim and sends the assessment to the WVA per the tax ID number.
- A second claim for the office call and/or other charges including administration charges for the vaccine should continue to be submitted to the Payer for reimbursement to the Provider.

Historically, approximately 50% of state supplied vaccine serum is provided to 48 practice groups (see attached), and a few of the large practice groups listed indicated they have the capability to support this approach. Other Providers would be highly encouraged to submit claims via this DBA claim approach.

To aid in transition to this DBA claim approach, if a Provider does not yet have the capability to submit a separate dosage based assessment claim, the Provider may continue to submit a claim for both the serum and administration services using the penny charge or SL modifier for the serum. Payers will reconcile these claims to remit dosage based assessment funds to the WVA. Under this single claim approach, there is a risk that Payers located outside of Washington state may not participate in the assessment funding, and vaccines administered to their members who reside in Washington may not be accounted for.

Group Health will develop a reconciliation approach to address the dosage based assessment for their group practice.

By allowing these methods during the first 120 day period, all Providers will be able to participate in the assessment process as soon as possible, Providers will have sufficient time to transition their systems, and the WVA will be able to begin receiving funds immediately.

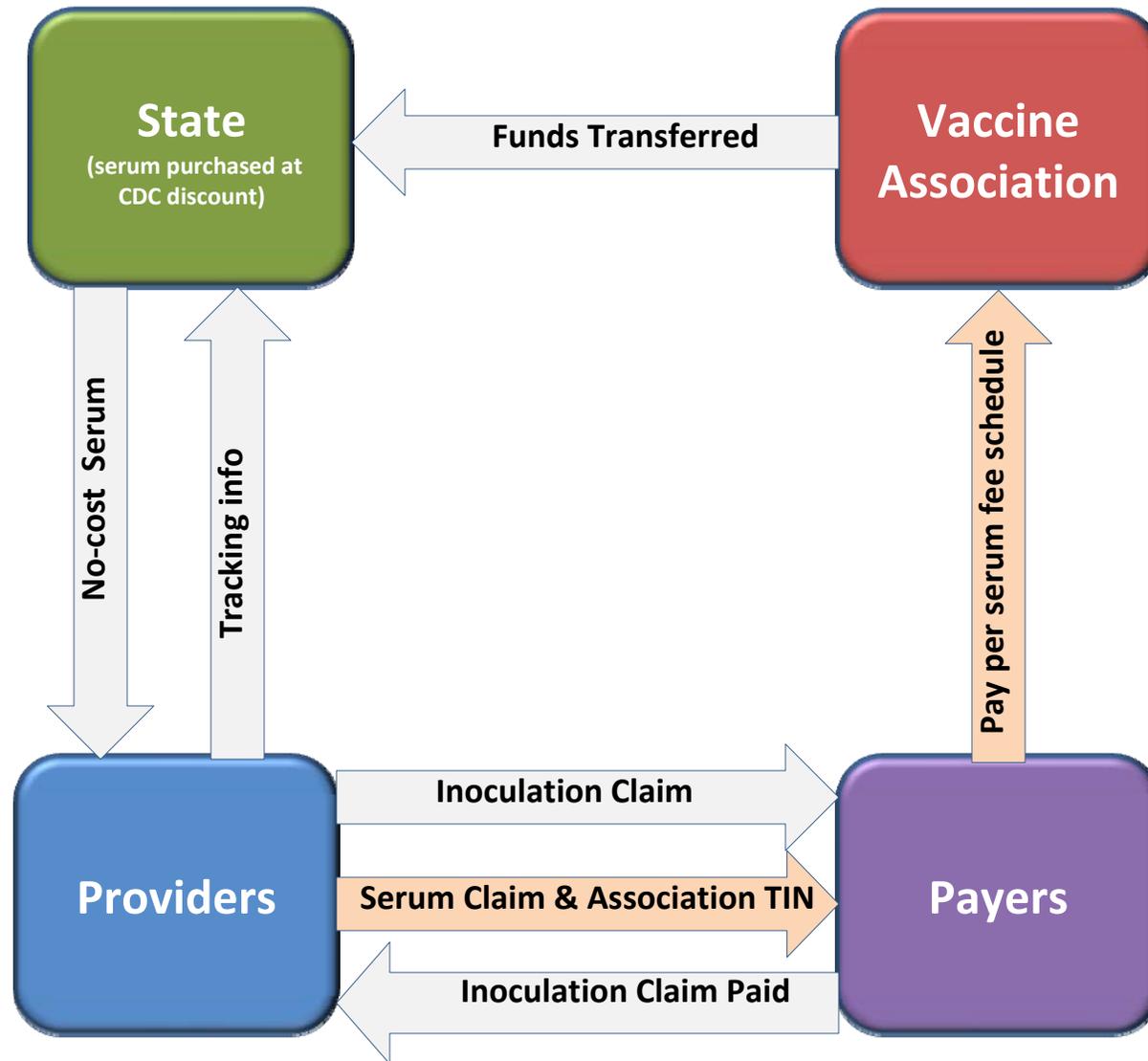
Education/Training

Communications and training material, including direct notices and FAQs, will be developed for all Providers. The workgroup also recommends that Payers undertake coordinated outreach to each of the 48 high-volume provider groups to train them on the DBA method and ensure submission of the DBA.

Evaluation Period

It is recommended that these interim options be used for the first 120 days. During this time period, the Operations Mechanism workgroup will work with the WVA to develop dosage reconciliation processes, identify improvements and develop a long term recommendation. At this time, the workgroup makes no recommendations on enforcement measures after the 120 days and intends to report back to the WVA Board with future recommendations.

Dosage Based Assessment – Preferred



Dosage Based Assessment - Interim Option

