

Introduction & Notes re: AVAP Annual Assessment Setting Workbook

Note: This is the FINAL version as voted by the AVAP Council on September 24, 2016.

DISCLAIMER. KidsVax® (KV) from the commencement of this program has prepared assessment setting worksheets based upon projections supplied by the Alaska Department of Health and Social Services (DHSS). KV has no doubt that good faith efforts are being made to supply good faith estimates. It is the nature of the assessment setting process that estimates carry over from year to year and affect carryforward cash balances and reserves. Information on actual results in comparison to the projections is needed both to inform the user's view of the projection tool itself and to recalibrate the projection from time to time for improved accuracy. Moreover the assessment setting process itself inherently involves a modest level of complexity such that periodic checks by tying back to actual results is important for data integrity. At this point, AVAP enters its third rate-setting round and has completed two years of assessment setting and collection based upon projections with no actual tying back to the actual results for the key components of the assessment setting process. Increasingly, KV is concerned that production of these worksheet tools suggests a level of accuracy which may not exist in fact. While KV believes that this assessment setting tool is internally consistent, the lack of check against actual results allows for increasingly large errors which may, at this point, be material. Hence KV must inform the users of the potential for substantial errors in calculations using this tool. KV also understands the reality of current budget constraints in the State of Alaska and the need for DHSS to concentrate its limited resources on actual program activities rather than program audits and accountability. KV understands that DHSS is seeking to marshal the resources needed so that an audit through 12/31/2015 can be completed prior to the end of 2016. It also understands the benefit to payers of having early advice concern assessment rates for 2016. Hence it has released this assessment setting workbook as requested by DHSS and will assist with its good faith use while also continuing to urge that the assembly and audit of actual financial data for the program be completed at the earliest possible date. Under Alaska law, true-ups for over or under assessments may be considered in subsequent assessment years. At this point it is possible that the future assessment swings for such true-ups may be substantial.

Note: Substantial Revisions May be Made to this Spreadsheet

01. This workbook follows the naming conventions of having each sheet begin with a letter (i.e., "a." through "f."), and each cell within each sheet be identified by row number (e.g., "01.") and column letter (e.g., "A"). So, to facilitate reference while collaborating via conference phone, users can refer to any single number, for example the new child vaccine calculated assessment rate, by a combination of the above. For that key number, for example, the reference is "a.42.C".
02. Since the first measurement period is for the months of Oct-Dec 2016 and assessments are due forty-five (45) days after the end of the quarter, the first assessment payment with the 2017 rate will be February 15, 2017 for the assessment months of Jan-Mar 2017.
03. The primary spreadsheet for the work is the assessment calculation worksheet, worksheet a. The other sheets are intended to be reference or to develop background data in specific areas for the work. Key data for developing the primary funding target is on spreadsheets d. & e. which contain data supplied by the DHSS for the vaccine funding needs. Key numbers from a subsidiary sheet rolled into the main assessment sheet generally are shaded in yellow.
04. Key control points expected to be subject to policy decisions by DHSS or the Council are coded in green. On the protected version of the sheets, cells not shaded green may be locked out to reduce the likelihood of user error. The password used is "AVAP" -- this is not a matter of confidentiality, but rather to reduce error. Users who want to unlock the sheets for any reason are welcome to do so.
05. Those cells in which entries normally would be made are shaded in green. They are unprotected to allow data entry. For example, a user can adjust utilization assumptions for increases over prior years by entering percents either by vaccine on sheets d. & e. or overall on sheet a. (Line 21). The vaccine funding target takes the number as adjusted by those two factors and then applies the assumed cost increase (Line 22). The cost increase is applied for 9/12 of the year for childhood vaccines since it typically becomes effective as of April 1 each year (1/2 of the year due to the July 1 effective date for adult vaccine contract changes).
06. It is anticipated that the Council will, as part of its deliberations and upon considering the input of any public members or others at its meeting(s), adjust the assumptions which guide the assessment level. The Council's recommendations will be considered by the Commissioner who has the final decision regarding assessment rates.

Alaska Vaccine Assessment Program Assessment Calculation Worksheet

Column →	A CHILDREN		D ADULTS		G
Line ↓	Prior	Next	Prior	Next	Comments
A. Preliminary Vaccine Cost Estimates					
01.	5,770,154	7,169,358	2,029,839	1,517,465	Est. Costs of Vaccines (sheets d. & e. with utilize. & price adj.)
02.	115,403	179,234	40,597	37,937	DHSS Administrative Fee
03.	288,508	358,468 ¹	101,492	75,873	Vaccine Waste Allowance
04.	-387,661	141,108 ²	-348,549	194,122	Liquidity Reserve Buildup (Return)
09.	5,786,404	7,848,168	1,823,379	1,825,397	Net AVAP Funds Requested by DHSS
B. Assessable Covered Lives Estimates					
11.	81,547	80,751	241,846	284,658	Assessable Covered Lives (sheet c.)
12.	1.50%	1.50%	1.50%	1.50%	Leakage (unknown insurer, out of reach entity, etc.)
19.	80,324	79,540	238,218	280,388	Assessable lives actually paying
C. Planning / budgeting parameters					
21.	0.01%	0.00%	0.02%	0.00%	Provision for vaccine utilization increase
22.	3.75%	3.75% ³	3.75%	3.75%	Provision for vaccine cost increase
23.	0.25%	0.25% ⁴	0.25%	0.25%	Bad debt allowance (as a % of funds to be remitted)
26.	2.00%	2.50%	2.00%	2.50%	DHSS administrative fee
27.	5.00%	5.00%	5.00%	5.00%	DHSS waste cost cap
28.	3.0	3.0 ⁴	3.0	3.0	Working Capital Reserve as months of ave. Line 09 amount
29.	75.00%	25.00% ⁴	75.00%	25.00%	% of reserve to build in future years
30.	0.00%	0.00%	5.00%	5.00%	Other reserves as allowed by law & deemed prudent
D. Assessment Calculation					
31.	\$ 5,786,404	\$ 7,848,168	\$ 1,823,379	\$ 1,825,397	(a) Estimated total non-federal cost (adjusted)
32.	360,426	351,800	113,574	81,825	Total Administrative Budget (from sheet b.)
33.	14,466	19,620	4,558	4,563	Bad Debt Allowance
34.	374,892	8,219,588	118,132	1,911,785	Vaccine + Cash Reserve + Operating Cost components
36.	0	0	91,169	91,270	(c) part 3 - Other Reserves
39.	\$ 6,522,946	\$ 8,219,588	\$ 2,146,641	\$ 2,003,055	Total Assessment Billed
E. Per Assessable Covered Life Assessment					
41.	\$81.21	\$ 103.34	\$9.01	\$ 7.14	Annual Assessment per covered life
42.	\$6.77	\$ 8.62	\$ 0.76	\$ 0.60	Monthly Assessment per covered life calculated
43.	\$6.77	\$ 8.62	\$ 0.76	\$ 0.60	Monthly Assessment per covered life set
F. Financial Carry Forwards					
51.	376,116	19,620 ²	209,688	95,833	Unexpended assessments anticipated to roll forward
G. Various Performance Metrics					
61.	6.25%	4.91%	5.60%	5.39%	Net admin costs as % of vaccine costs
62.	8.50%	117.15%	7.82%	128.49%	Total costs as a % of vaccine costs
63.	n/a	27%	n/a	-21%	% year to year change in assessment rate
64.	\$ 6.56	\$ 8.46 ⁵	\$ 0.81	\$ 0.51	"Normalized" assessment rate

Notes:

- ¹ Alaska's distribution conditions present serious challenges to waste costs. DHSS has agreed to cap the loss at 5% for calendar year 2017.
- ² Carryforward cash amounts, if any, will be applied to reduce subsequent years' assessments (see line 04).
- ³ The provision for cost increases is applied for 9 months for childhood vaccines and 6 months for adult vaccines in developing the line 01. cost estimate: (This is due to the fact that the CDC contracts for children reprice in April and for adults in July.)
- ⁴ Only one control point given since assumes that factors are same for both Child & Adult.
- ⁵ This calculation gives an indication of what the assessment rates would have been for a mature program this year (i.e., without reserve changes).

Alaska Vaccine Assessment Program Budget Estimates and Allocations

Line ↓	Column →	A	B	C	D	E	F	G	H
CHILDREN						ADULT			
	Prior Year	Unallocated ¹	Specific	Allocated ¹	Total	Specific	Allocated ¹	Total	
01.	Administrative Fees (program administrator selected by DHSS)								
02.	Annual Base Fee		384,625.00 ²		312,046		72,579	72,579	
03.	Expense Allowance (travel)		-		-		-	-	
04.	Other	-	-	-	-	-	-	-	
05.	Subtotal	-	384,625	-	312,046	-	72,579	72,579	
General Expenses									
06.	Bank Fees & Service Charges		9,500 ⁴		7,707		1,793	1,793	
07.	Auditing Fees		15,000 ⁵		12,170		2,830	2,830	
08.	Legal Fees				-		-	-	
09.	AVAP Miscellaneous Expenses				-		-	-	
10.	Office Expense				-		-	-	
11.	Telephone Expense				-		-	-	
12.	Postage and Shipping Expense				-		-	-	
13.	Significant Customized Website Enhancement				-		-	-	
14.	Public Information Expense (other than web site)				-		-	-	
15.	Printing Expense				-		-	-	
16.	Publications				-		-	-	
17.	Travel Expense				-		-	-	
18.	Meeting Expense		-	-	-	-	-	-	
29.	Subtotal		24,500	-	19,877		4,623	4,623	
Special Projects									
31.					-		-	-	
32.					-		-	-	
33.			-	-	-		-	-	
39.	Subtotal		24,500	-	19,877		4,623	4,623	
49.	Total Expenses	-	433,625	-	351,800	351,800	-	81,825	81,825
59.	Budgeted for Bad Debt			⁸					

NOTES:

¹ "Unallocated" in this spreadsheet means that the specific item is not specific to either child or adult vaccines. If no other rule is given, allocation will be based upon the ratio of the child & adult vaccine funds needed, respectively, to the total. That computation is as follows:

total child: 7,848,168 total adult: 1,825,397 **81.13%** is the child % of total

² Assumes KidsVax[®] contract is continued upon renewal at present base fee + 3.5% and current technology fee of \$75,000.

³ KidsVax[®] has bundled travel costs into the 2017 contract.

⁴ This will be affected by final banking / collection / depositing arrangements. This presumes a specialized AK lockbox account.

⁵ KidsVax[®] had recommended (& the Council & DHSS agreed) that annual audit be conducted. Awaiting experience with AVAP audit to adjust this number (it is expected to be more than a

⁶ Bundled in KidsVax[®] contract.

⁷ Not likely to be needed. KV makes significant annual investment in web & other IT technology and deploys to all states under technology licenses.

⁸ To be set as part of the assessment work.

AVAP Covered Lives Estimates

Column → Line ↓	A	B	C	D
	Source / Entity	Date	Children	Adults
A. Current Estimate of Covered Lives				
01.	AVAP Self-Reporting assessment system #s	15-Aug-16	80,751	237,012
02.	Provider Opt-In uninsureds (unique to AK)			47,646
03.				
04.				
05.				
09.		total	80,751	284,658
B. Possible Deductions				
11.				
12.				
13.				
14.				
15.				
16.				
19.		total	0	0
C. Possible Additions				
21.				
22.				
23.				
24.				
29.		total	0	0
D. Totals				
99.	Best Current Estimate		80,751	284,658

**DHHS Pediatric Vaccine Purchase Estimates
AVAP Calendar Year 2015**

Column → A B C D F G H I J K
Line ↓

Line	Vaccine	Brand Name	NDC	Cost Per Dose*	Total Estimated Doses	Total Estimated Cost	vaccine Level AVAP	
							Adjustments	AVAP Budget
01.	DTaP*	Infanrix		\$16.85	4,850	\$81,723	0.00%	\$81,723
02.	DTaP/Hep B/IPV	Pediarix		\$54.90	10,780	\$591,822	0.00%	\$591,822
03.	DTaP/IPV	Kinrix		\$39.57	3,060	\$121,084	0.00%	\$121,084
04.	Hep A	Havrix		\$17.83	8,487	\$151,323	0.00%	\$151,323
05.	Hep B	Recombivax		\$12.30	1,750	\$21,525	0.00%	\$21,525
06.	Hib - PRP-OMP	PedvaxHIB		\$12.48	11,070	\$138,154	0.00%	\$138,154
07.	9vHPV*	Gardasil9		\$141.60	9,380	\$1,328,208	0.00%	\$1,328,208
09.	e-IPV	IPOL		\$12.72	1,640	\$20,861	0.00%	\$20,861
10.	Meningococcal	Menactra		\$89.16	5,150	\$459,174	0.00%	\$459,174
11.	MENB	Bexsero		\$98.51	1,640	\$161,556	0.00%	\$161,556
12.	MMR	M-M-R II		\$20.11	7,720	\$155,249	0.00%	\$155,249
13.	PCV13	Prevnar 13		\$120.39	14,370	\$1,730,004	0.00%	\$1,730,004
14.	Rotavirus	RotaTeq		\$66.49	9,350	\$621,682	0.00%	\$621,682
15.	Tdap	Boostrix		\$31.37	4,830	\$151,517	0.00%	\$151,517
16.	Varicella	Varivax		\$88.34	7,910	\$698,769	0.00%	\$698,769
17.								
18.								
21.	Influenza†	GSK Fluarix Syr 36+ mos		\$14.43	10,900	\$157,287	0.00%	\$157,287
22.	Influenza†	Sanofi Fluzone Syr 6-35 mos		\$19.14	14,750	\$282,359	0.00%	\$282,359
23.	Influenza†	Sanofi Fluzone MD 6+ mos		\$13.77	5,000	\$68,850	0.00%	\$68,850
24.	Influenza†	Sanofi Fluzone Syr 36+ mos		\$14.93	2,150	\$32,089	0.00%	\$32,089
18.	TOTAL					\$6,973,236		\$6,973,236
19.						Adjusted for overall utilization increase		\$6,973,236
20.						Adjusted for price increase		\$7,169,358

Notes:

*Cost per dose is based on the CDC Vaccine Price List (reviewed/updated: September 1, 2016), which can be found here:

<http://www.cdc.gov/vaccines/programs/vfc/awardees/vaccine-management/price-list/>

†Influenza brand names vary each influenza season

**DHHS Adult Vaccine Purchase Estimates
AVAP Calendar Year 2015**

Column →
Line ↓

	A	B	C	D	E	F	G	H
	Vaccine	Brand Name	NDC	Cost Per Dose*	Total Estimated Doses	Total Estimated Cost	vaccine Level AVAP Adjustments	AVAP Budget
01.	9vHPV (19-26 yrs)	Gardasil9		\$119.04	800	\$95,232	0.00%	\$95,232
02.	Meningococcal Conjugate (19-20 yrs)	Menactra		\$74.33	120	\$8,920	0.00%	\$8,920
03.	MENB	Bexsero		\$116.54	120	\$13,985	0.00%	\$13,985
04.	PPSV23	Pneumovax23		\$26.15	2,150	\$56,223	0.00%	\$56,223
05.	Td	Tenivac		\$12.27	530	\$6,504	0.00%	\$6,504
06.	Tdap	Boostrix		\$24.39	13,390	\$326,582	0.00%	\$326,582
07.	Zoster (60-64 yrs)	Zostavax		\$117.12	1,740	\$203,789	0.00%	\$203,789
08.								
11.	Influenza†	Sanofi Fluzone MD		\$12.56	25,500	\$320,382	0.00%	\$320,382
12.	Influenza†	GSK Flaurix Syr		\$12.72	36,000	\$457,920	0.00%	\$457,920
13.								
08.				Total		\$1,489,536		\$1,489,536
09.					Adjusted for overall utilization increase			\$1,489,536
10.					Adjusted for price increase			\$1,517,465

Notes:

Prior Year's Financial Recap

Column →	A	B	C	D
Line ↓			Child	Adult
01.	⁴ Starting Cash balance	1-Jan-2014	-	-
02.	² Increment from 2014 AVAP operations		-	-
03.	Increment from 2015 AVAP operations (unaudited)		1,287,159	351,191
04.	Projected in 9/2015 AVAP workbook for 2016		376,116	209,688
05.				
09.	Total		1,663,275	560,879
Estimated Revenues				
11.				
12.				
13.				
14.				
19.				
Expenditures / Allowances				
21.	Fidelity Security Life Insurance Company Refund		156,049	32,682
22.	(subject to approval)			
23.				
24.				
25.				
26.				
27.				
29.			156,049	32,682
31.	Estimated Starting Balance January 1		1,507,226	528,197
33.	Target months cash (non-flu)	3	1,657,193	184,791
34.	Target cash for flu		540,585	778,302
35.	Target cash reserve (Line 34 + Line 35)		2,197,778	963,093
36.	Deferral amount	25.00%	549,445	240,773
37.	Target Cash Reserve net of deferral		1,648,333	722,320
99.	Excess Cash balance above Cash target		(141,108)	(194,122)

Notes:

¹ KV's best estimate is that the TRICARE arrearage through 12/31/2016 is approximately \$4,330,506.

² This is 1/3 not 1/4 because September bills have not yet been paid.