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Update on COVID-19 Vaccine and Vaccine Administration Cost

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Medicare has increased and simplified its payment rate for administration of the COVID-19 vaccine to \$40 per dose. This change may impact group health plans with respect to their payment rate to providers.

Background

Non-grandfathered group health plans are required to cover, without cost sharing, the COVID-19 vaccine. This obligation extended to coverage associated with administering the vaccine. The federal government continues to pay for the vaccine itself through funding authorized by the CARES Act.

For vaccines administered in-network, plans will pay the rate negotiated with in-network providers, and that continues to be true. For vaccines administered out-of-network, however, group health plans must reimburse providers an amount that is reasonable, determined in comparison to prevailing market rates for such service. Guidance provides that the amount that would be paid under Medicare is considered reasonable.

Initially, Medicare established a Medicare payment rate for a single-dose vaccine or for the final dose in a series, at \$28.39. For a COVID-19 vaccine requiring a series of two or more doses, the payment rate was \$16.94 for the initial dose(s) in the series and \$28.39 for the final dose in the series. Medicare allowed for the rates to be geographically adjusted. It appears many fully insured plan carriers, and many self-insured plans had been reimbursing at these Medicare rates for both in-network and out-of-network providers, regardless of whether the cost was treated as a pharmacy benefit or a medical benefit.

What's New?

Medicare recognized updated information about the costs involved in administering the COVID-19 vaccine for different types of providers and suppliers, and the additional resources necessary to ensure the vaccine is administered safely and appropriately. Thus, for vaccine administration services provided on or after March 15, 2021, Medicare's payment rate increased to approximately \$40 per dose, regardless of whether a single dose or a dose in a series of doses. That rate is subject to geographic adjustment.

This change in the Medicare vaccine administration payment rate is expected to be adopted by most providers administering the COVID-19 vaccine, increasing the full cost for double-dose vaccine administration by approximately \$35, or about 78%, and for single-dose vaccine administration by approximately \$23, or about 81%.

Employer Action

Employers may be notified by carriers, third party administrators (“TPAs”), and/or pharmacy benefit managers (“PBMs”) regarding this development, or they may simply notice higher claims costs related to the vaccine administration. A self-insured plan may be given a choice to opt-out of the higher payment by their TPA or PBM, but the employer would have to find another solution for providing vaccine administration at no cost. For this reason, opting out is likely to be impractical.