

May 11, 1998

Dear State Health Official:

The Balanced Budget Act of 1997 established the Children's Health Insurance Program (CHIP) under Title XXI of the Social Security Act (the Act). This new Title enables States to expand health insurance coverage for uninsured children through separate State health insurance program (S-CHIP), through Medicaid, or a combination of the two. Title XXI requires States to submit plans for approval by the Secretary of the Department of Health and Human Services in order to receive funds for providing health care coverage. The Department of Health and Human Services has issued several letters to provide policy and State plan guidance on the implementation of Title XXI.

This letter is intended to provide detailed guidance regarding coverage of immunization under Title XXI and the Vaccines for Children (VFC) program. Ensuring that all children receive appropriate immunizations is a priority for the President, the First Lady and Secretary Shalala. The unique nature of funding for vaccines create special challenges and options for covering vaccines for CHIP-covered children, as described below.

States must ensure coverage for childhood vaccinations under CHIP. Section 2102(a)(7) of the Children's Health Insurance Program requires States to "assure the quality and appropriateness of care, particularly with respect to ... immunizations" provided under the State child health plan. The standard for appropriate care with respect to childhood immunizations, used in the Medicaid and the VFC programs, is the schedule of immunizations recommended by the Federal Advisory Committee on Immunization Practices (ACIP). All State CHIP plans must provide coverage for all ACIP-recommended vaccines to enrollees. The Department expects that children will be immunized with vaccines purchased using funds provided through their Title XXI plans.

The VFC program was established in 1993 to serve children defined as

"federally vaccine eligible" under section 1928(b)(2), which includes both "uninsured" and "Medicaid eligible" children. American Indian, Alaskan Native children and children whose insurance does not cover immunizations are also eligible for VFC. States will continue to receive federal funding for reduced-price vaccines under this program.

Children who are newly eligible for Medicaid under Title XXI are federally vaccine eligible, as are all other children eligible for Medicaid. However, because of Title XIX restrictions on eligibility for VFC, States that have designed a separate State health insurance program under CHIP (S-CHIP) may not treat children enrolled in such a program as federally vaccine eligible.

Children enrolled in a separate State insurance program are neither Medicaid eligible nor uninsured as required under Title XIX and, therefore, they are not federally vaccine eligible. However, to ensure that States choosing to expand through S-CHIP have the same opportunity for reduced-price vaccines as States expanding through Medicaid, States have two options for funding.

First, States may define these children as "State vaccine eligible" under Section 1928(b)(3) and purchase vaccine at the federal contract price for these children without these expenditures being subject to the 10 percent cap on expenditures for other child health assistance, health services initiative, outreach, and administration. To do this, States must retain responsibility for the provision of benefits to Title XXI children and sub-contract portions of the benefit package to insurers, except the purchase of vaccine. States must distribute vaccine purchased through the federal contract to their Title XXI providers so that they may administer the vaccine to children. Because the State is paying for the vaccine, contracts with insurers must not include payment for vaccine costs, although any fees or costs associated with the actual vaccination of children may be included in the sub-contract.

Second, States may choose to contract with insurers for the provision of vaccine as they do for other services. States electing this approach will have to pay private sector market prices for vaccine. Under both options, State expenditures are matched at the CHIP enhanced matching rate.

States are encouraged to work through their State Health Departments and their State Immunization Programs to determine the most effective manner in which to purchase vaccines for S-CHIP children. Also, as part of the State's program evaluation strategy, States are strongly encouraged to track the percentage of children in Title XXI who are receiving age-appropriate vaccinations and how those vaccinations are being delivered.

I hope this guidance will be helpful. If you have any questions regarding coverage of immunization under Title XXI, please contact your HCFA regional office staff.

Sincerely yours,

Sally K. Richardson Director Center for Medicaid and State Operations

cc: State Immunization Program Managers