Dear State Immunization Program Managers and CHIP Directors:

The purpose of this letter is to follow-up on the guidance sent to you on September 24, 2013, regarding the change in the use of the Center for Disease Control and Prevention’s (CDC) vaccine purchasing program for children enrolled in separate CHIP programs. This program change resulted in corresponding changes for states in both the way vaccines are purchased and claimed.

States continue to have two options for purchasing vaccines for children enrolled in separate CHIP programs:

1. **Purchase vaccines using the CDC contract and/or use of CDC provider ordering/distribution mechanisms.** This option requires states to define and identify these children as state-vaccine eligible under their state immunization programs, which means that they are eligible for state purchased vaccines. States electing this option would then purchase vaccines through CDC’s vaccine contracts at a reduced price and/or distribute the vaccines through CDC mechanisms to the states’ CHIP providers. CHIP programs must pay in advance for vaccines in CDC’s inventory that are used for separate CHIP children.

2. **Purchase vaccines through the private sector.** States electing this option would contract with insurers for the provision of vaccine to enrolled children and pay the private sector prices for these vaccines.

This letter provides guidance for states that use option 1, and purchase vaccines through the CDC contract or use the CDC provider ordering/distribution mechanisms.

Beginning on October 1, 2013, CDC required that states that purchase vaccines through the CDC contract or use the CDC provider ordering/distribution mechanisms pay for those vaccines at the time that they are ordered. This means that a payment is required for these vaccines to be placed into the federal depots as part of vaccine inventory or when ordering frozen vaccines directly from the manufacturer (since frozen vaccines are not stored in the federal depots). As part of the October 1, 2013 transition, CDC worked very closely with states to ensure that necessary payments were made and that there was no interruption to vaccine supply. This policy change was addressed in guidance sent to all CHIP directors on September 24, 2013.

CDC’s Vaccine Purchase Estimator Tool (VPET) continues to be used to identify the quantity of doses needed for each quarter and provide a dollar estimate for the purchase of vaccines for children if they are defined as state-vaccine eligible. States will purchase the vaccines they plan to order for their CHIP providers under the CDC’s vaccine contracts, whenever possible.
However, in certain circumstances, such as when there is a vaccine shortage (and therefore a vaccine can’t be purchased by states on CDC contracts) or for states with small CHIP populations (where the CDC contract minimum purchase amounts are too high), states will be directed by CDC to purchase equivalent values of other vaccines as a substitute. Even under these circumstances, states purchasing vaccines through the CDC contract will need to continue to provide CHIP enrollment data to CDC on a quarterly basis.

While VPET is used to establish the quantity of vaccines needed, provider orders are submitted for fulfillment using CDC’s VTrckS system. VTrckS separately identifies vaccines used by fund type, quantifying the number of doses in the order that are being requested to serve separate CHIP children in the provider office. As estimated by VPET, amounts remitted by the state for the bulk purchase of vaccines sent to the federal depots for separate CHIP programs will represent expenditures for purposes of the states’ claims for Federal financial participation (FFP). This change is specifically due to the ability to now separately identify and track vaccines purchased and ordered in VTrckS for children enrolled in separate CHIP plans.

VTrckS provides state immunization programs with information about actual vaccine orders placed by fund type that will allow states to receive credit for the unused portion of a purchased supply of CHIP-funded vaccine at the end of a year. Such credit should be accounted for by the state as part of an annual reconciliation so that subsequent CHIP vaccine purchase payment amounts are reduced by the outstanding credit reflected in VTrckS. Annual reconciliation following the federal fiscal year is necessary to ensure that vaccine ordering seasonality (i.e., vaccine orders generally peak during the summer months) does not result in insufficient funding to support CHIP orders. For example, if a state purchases $200,000 worth of CHIP doses during the federal fiscal year, but only $187,000 worth of doses are actually ordered by providers for use by children enrolled in the state’s separate CHIP program during that period, there would be a credit of $13,000 remaining at the end of the federal fiscal year. Accordingly, the dollar amount of the next order for a prospective quarter should be reduced by the $13,000 credit. Therefore, if the state determined through the VPET that it needed $50,000 worth of doses for a future quarter, it should apply the credit to that purchase and only remit $37,000 for the estimated doses required. (That is, the $50,000 otherwise due should be reduced by the $13,000 credit). In this example, the credit would be applied for the quarter beginning in January because the June-September quarter will still be open when the order for the quarter beginning in October is placed.

Because states will now retain a credit for any unused vaccines which will be explicitly identified with the separate CHIP population, states can submit claims for FFP that reflect the quarterly payments made to CDC using the VPET, and claims will no longer be based on individual provider claims. The attachment provides more specific guidance on the appropriate way to report allowable vaccine purchases.

The only funds which are to be used as the source for vaccine purchases for the separate CHIP are the federal and state matching funds provided to each state CHIP program. Specifically, funds available under section 317 of the Public Health Service Act (317 funds) are designated for the purchase of vaccines for the uninsured and may not be used to purchase vaccines for children who have separate CHIP coverage. In addition, vaccines for federally vaccine-eligible children should not be used by children enrolled in separate CHIP programs.
In addition, each state should have a mechanism in place to ensure that vaccines purchased for children enrolled in separate CHIP programs are used only for those children. CDC is providing guidance on steps that must be taken at the provider level to help ensure compliance with this requirement.

Finally, we know that some state immunization programs have raised questions about the challenges distinguishing separate CHIP from Medicaid enrollees based on their enrollment cards in certain jurisdictions. We are currently analyzing this issue and will follow-up with impacted states.

If you have any questions about this policy, please contact Martin Burian in CMS’ Division of State Coverage Programs at martin.burian@cms.hhs.gov.

Sincerely,

/s/                /s/
Kelly Whitener    Melinda Wharton
Director          Director
Division of State Coverage Programs Immunization Services Division
Children and Adults Health Programs National Center for Immunization and
Group, CMS        Respiratory Diseases, CDC

Enclosure
Enclosure - Clarification of Process for Claiming Payment for Vaccines

For purposes of claiming for the allowable costs for States' purchases of vaccines through the CDC’s vaccine contracts, the following policy principles and operational guidance apply:

- Federal funding under a State's title XXI separate CHIP may be available for vaccine purchase(s) for children who are eligible and enrolled in separate CHIP programs.

- States must have a process in place to assure that vaccines purchased for children enrolled in CHIP are only used for those children. If a state has an MOU in place between the CHIP program and the state immunization program, that MOU should include this assurance.

- Costs for the purchases of vaccines for children enrolled in separate CHIP programs are considered as child health assistance and would not be applied against or limited by the State's "10 Percent Limit," which is generally applied to limit States' administrative costs under CHIP.

- States should report and claim the amounts of the allowable costs for the purchases of vaccines on the Form CMS-21, in accordance with the instructions below.

**Reporting Allowable Vaccine Purchases on Form CMS-21**

The following provides instructions for States to report and claim for the allowable costs of the purchase of vaccines from the CDC’s vaccine contracts for children enrolled in States' separate CHIP programs on the quarterly Form CMS-21:

- States should include on the "Other Services" Line 31 of the Form CMS-21 (or Form CMS-21P, for prior period claims) the costs of the vaccines that are administered to children enrolled in separate CHIP programs. Such costs should be included/reported as child health assistance in Column A (total computable) and Column B (Federal).

  Note: **Do not** report vaccine purchase costs in Column B and Column C of the Form CMS-21/21P; those columns are intended for States to report expenditures that are applied against the “10 percent limit.”

- **Language for the CMS-21/21P Narrative Schedule:** States should use the following language in the Narrative schedule of the Form CMS-21 to provide a breakout of the total computable and federal share amounts of the costs of the vaccine purchase amounts included/reported on the “Other Services” Line 31 of the CMS-21/21P:

  "**Amounts for the Purchase of Vaccines from the CDC’s Vaccine Contracts:** The amounts reported by the State on the "Other Services" Line 31 of the Form CMS-21 [or Form CMS-21P for prior period adjustments] contain the following amounts for the purchase of vaccines from the Centers for Disease Control and Prevention’s (CDC) vaccine contracts that are administered to children enrolled in the State’s separate CHIP program:
• Total Computable: $ (fill-in)
• Federal share: $ (fill-in)

The State employs processes and mechanisms that identify and distinguish the administration of purchased vaccine to children who enrolled in separate CHIP programs from the administration of purchased vaccines for children who are not enrolled in separate CHIP programs; the vaccine purchase amounts indicated above are only for children enrolled in separate CHIP programs.

The above guidance applies only to vaccines for children in separate CHIP programs. Under Medicaid and Medicaid-expansions, States will continue to receive vaccines through the VFC program.