Glossary of Purchasing Terms and Tips for Smart Vaccine Purchasing

This resource provides definitions and explanations of key terms used in vaccine purchasing, pricing, and reimbursement, as well as practical tips for ordering vaccines efficiently and effectively in clinical and public health settings.

While this document is developed with adult vaccinations in mind, the American Academy of Pediatricians has resources on Managing Costs Associated with Vaccinating which also have applicability to adult vaccination.

Glossary of Terms

PRICING AND COST TERMS

WAC (Wholesale Acquisition Cost)

Manufacturer's published list price for a product sold to wholesalers or direct purchasers, not including any discounts, rebates, or reduction in price. The WAC is usually the private sector cost.

AWP (Average Wholesale Price) of a vaccine

Common benchmark 'price' used for reimbursement. AWP is a publicly available, suggested price set by wholesalers and considered the "sticker price." It serves as a starting price for payment negotiations but typically does not reflect the actual price after discounts or rebates. For example, AWP = WAC + 10-25% of WAC.

ASP (Average Sales Price)

CMS calculated price based on the weighted average of all manufacturer sales prices and includes all rebates and discounts that are privately negotiated between manufacturers and purchasers. ASP is only available for Tdap, Td, rabies and hepatitis A vaccines.

Acquisition Cost

The price paid by end-user customers.

Charged Amount

Total amount a provider bills for a product or service.

Allowed Amount

Maximum amount a payer (e.g., an insurance company) will pay for that service or product.

U&C (Usual and Customary)

The price a pharmacy or healthcare provider typically lists for the vaccination service, and which is uniformly applied to all patients regardless of insurance or payer status, and not influenced by discounts, negotiated rates or insurance adjustments. The price is within the price range of what other providers of similar training and experience in the same geographic area charge for the same vaccination. Used by payers as a benchmark to determine allowed reimbursement, especially for out-of-network claims or when there is no contract rate.

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DP (Direct Price)

Manufacturer's price to providers or non-wholesalers.

CDC contract pricing

Price for vaccines purchased through the CDC contracts with manufactures.

CMS MFP: Maximum Fair Price

New ceiling price for Medicare-negotiated drugs.

Federal Vaccine Excise Tax

The Vaccine Injury Compensation Trust Fund provides funding for the National Vaccine Injury Compensation Program to compensate vaccine-related injuries. This program is funded by a $.75 excise tax on vaccines recommended by CDC for routine administration to children. Each dose is taxed $.75 per disease prevented, e.g., influenza vaccine is taxed $.75, but MMR vaccine is taxed $2.25.

U.S. GOVERNMENT ACRONYMS

CMS (Centers for Medicare & Medicaid Services)

FDA (Food and Drug Administration)

CDC (Centers for Disease Control and Prevention)

VACCINE ORDERING TIPS

Order Based on Practice Needs Estimates

- Optimize vaccine stock levels to avoid over-ordering or under-ordering (which leads to missed opportunities to vaccinated).
- Use historical electronic health record (EHR) data, immunization information systems (IIS, aka vaccine registry) data and/or manufacturer tools to estimate order volumes. Consider nuances from previous season and projected level of vaccine hesitancy.
- Work with your local jurisdictions IIS to identify which of your patients may be behind on immunizations
- Align ordering patterns with the vaccines you stock in your clinic.
- Manage inventory proactively
  - Perform frequent inventory reviews to stay ahead of supply issues (vaccine, syringes, needles, etc.,) and prevent wastage.
  - Ensure proper cold-chain storage and handling protocols per CDC and manufacturer guidelines.
  - Be aware of manufacturer programs for replacement and/or reimbursement for expired vaccine (e.g., maximum time from vaccine purchase to return date, often 6 months).
  - Order replacement stock for expired vaccines to prevent gaps in availability.
  - Rotate vaccine stock based on expiration date and ensure expired vaccine is appropriately returned or disposed of in accordance with local, state, and federal regulations and contractual arrangements with manufacturers.

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Leverage Cost-Saving Opportunities

- Take advantage of manufacturer discounts like prompt-pay or online ordering discounts.
- Monitor for manufacturer promotions and structure purchases to align with these.
- Use credit cards thoughtfully taking care to avoid interest accumulation if credit card terms are not met.
- Review payment receipt timing and address alignment with vaccine purchase terms to reduce carrying cost impact for vaccines.
- Consider using a physician buying group (PBG), group purchasing organization (GPO), or other contract (e.g., Minnesota Multistate, Apexus Prime Vendor) to take advantage of negotiated pricing and streamlined ordering.
  - Identify a GPO that supports healthcare practices — options include national networks (e.g., CNECT, UNA), physician buying groups (e.g., Atlantic Health Partners), or associations like the Minnesota Multistate.
  - Helpful resource examples: UNA GPO Comparison, USPPG Vaccine Buying Tips, and AAP's Managing Costs Associated with Vaccinating
- Considerations when selecting a GPO or PBG
  - Manufacturer Coverage: Does the PBG or GPO offer contracts with the vaccine manufacturers of the vaccines that you use?
  - Pricing & Flexibility: Are there minimum order requirements? Does the pricing suit your practice size? What is the return policy of the manufacturer or distributor?
  - Support Services: Look for forecasting tools, live member support, or integration with your existing platforms.
  - Transparency: Ensure clear pricing structures and no hidden fees.

VACCINE REIMBURSEMENT TIPS

Charged Amounts

- Normally, reimbursement for vaccines is calculated according to the lower amount of the third party contracted price or the usual and customary price (U&C) (i.e., the amount the provider charges).
- It is essential that your U&C charged amount covers your direct and indirect costs of providing vaccines.
- The AAP's Business Case for Pricing Vaccines recommends that reimbursement rates for products be at least 125% of the current private sector cost on the CDC vaccine price list.
- Your charge amount should generally be greater than this benchmark to ensure sufficient reimbursement.
- The AAP's Business Case for Pricing Immunization Administration recommends that reimbursement rates for administration be at least 100% of the current Medicare Resource Based Relative Value Scale (RBRVS) physician fee schedule
- Your charge amount should generally be greater than these benchmark amounts to ensure sufficient reimbursement.
- Providers can verify vaccine administration rates here: https://www.cms.gov/medicare/physician-fee-schedule/search/overview

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- Please note that healthcare providers may not charge Medicare or other payors more than the U&C. Therefore, if you are offering vaccines at a discounted rate to patients who do not have insurance, the discounted rate is what must be submitted to insurance for reimbursement.

Reimbursement Amounts/Allowance Amounts

- You will receive an allowance amount below your charged amount, which will be specified in your 3rd party payer contract.
- Providers should expect to receive separate payment for vaccine products and vaccine administration.
- Allowance amounts should cover both the cost of the vaccine product and administration.
- Product costs in theory include acquisition costs, personnel costs for ordering and inventory management, storage equipment and monitoring costs, insurance against loss of the vaccine, recovery of costs attributable to inventory shrinkage, wastage, and nonpayment, and lost opportunity costs.
- Administration costs in theory include physician work, practice expense cost (e.g., clinical staff time, medical supplies, medical equipment), reporting to immunization information systems (IIS or vaccine registries), and malpractice costs.

Ensuring Profitability

- At least quarterly, but ideally monthly, compare the practice's cost of providing vaccines to the amounts reimbursed by each payer.
- This is especially important as vaccine acquisition costs often increase throughout the year and reimbursement rates may not increase at the same rate.
- If the acquisition costs are greater than the reimbursement rates, consider:
  - Raising the charged amount to account for true costs of providing vaccines, and
  - Contacting your payer and requesting a greater rate to account for costs.

Example of reimbursement formula from third party contracts

For pharmacy vaccine providers, an estimated reimbursement example is:

AWP minus 15% of AWP plus $20 vaccine administration fee [(AWP - (0.15*AWP) + $20].

For patients on Medicare, the CMS maximum allowable payment for vaccines is:

95% of AWP plus the regional vaccine administration fee.

For medical vaccine providers, reimbursement is :

estimated as the allowable charge by CPT code for the vaccine plus the allowable administration fee charge by CPT code plus other fees paid (office visit, etc.). Providers should confirm with insurance providers that they work with to understand what the vaccine reimbursement is to estimate their likely net profit.

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To evaluate contracted rates and estimated net paid, use the formulas below:

Pharmacy Contract Reimbursement					
	Cost of vaccine plus excise tax (if applicable)	% AWP Contracted Rate	AWP of vaccine	Vaccine Administration Fee from Contract	Other fees
	$X	Y%	$Z	$A	$B
Enter info on this line					
	Net	=(((Z-(Y*Z)) +A+B)-X			

Medical Contract Reimbursement				
Cost	Cost of vaccine plus excise tax (if applicable)	Allowable charge by CPT code (vaccine)	Allowable administration fee charge by CPT code (e.g., 90460 for single antigen)	Other fees paid (office visit, etc.)
	$X	$Y	$Z	$A
Enter info on this line				
	Net	=(Y+Z+A)-X		