

# APPENDIX G

## *CHARGE 4*

Letter from the Centers for Disease Control and Prevention



Centers for Disease Control  
and Prevention (CDC)  
Atlanta GA 30333

December 16, 1998

Dear Colleague:

On or about April 1, 1999, the Centers for Disease Control and Prevention (CDC), will begin a new contracting process to purchase vaccines that will promote open competition and better ensure the ability of States and individual providers to choose from all brands of a licensed vaccine recommended by the Advisory Committee on Immunization Practices (ACIP). CDC strongly recommends that the standard for vaccine distribution in states should be based on individual provider choice unless there is a compelling reason for alternative approaches.

#### BACKGROUND

Prior to 1994, the CDC most often awarded a single contract to the low bidder for each vaccine solicitation. The Omnibus Budget Reconciliation Act (OBRA) of 1993 established the Vaccines for Children (VFC) program and strongly encouraged the award of vaccine contracts to all bidding vaccine manufacturers, better assuring stability and a market share for each company and continued investment in vaccine research and development.

In 1995, CDC began awarding vaccine contracts to all competing companies, guaranteeing a market share for both high and low bidders, with low bidders being assured the majority of doses purchased through the CDC contracts. This new contracting method assured a market share for all vaccine manufacturers with competitive bids. However, the act of sharing the purchases created several other problems. Because more than one manufacturer supplied a product, CDC created a system to automatically allocate VFC purchases between the various manufacturers. This method did not allow for choice in vaccine brand selection. The potential for children to receive different vaccine brands before completing their vaccination series existed. Finally, open competition between manufacturers only occurred during the initial bidding process prior to contract award.

To address these problems CDC embarked on a pilot contract with all licensed manufacturers for the purchase of DTaP and Hepatitis B (Adolescent) vaccines. The DTaP pilot began in April, 1997, and the Hepatitis B (Adolescent) contract began in July, 1997. This program allowed product choice by the State and/or individual providers. It also guaranteed access to the public sector market for all manufacturers with vaccines utilized in the pilot contracts.

Future Contracting

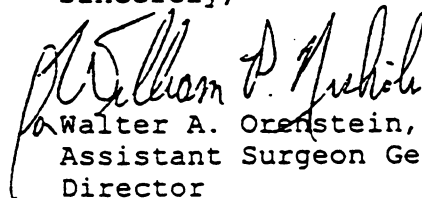
CDC will negotiate one master contract with each vaccine manufacturer for all the licensed vaccines they market in the United States that are recommended by the ACIP and covered by the Vaccines for Children (VFC) program. Separate contracts will still be negotiated for vaccines administered to adults. Vaccine manufacturers will have the ability to adjust their vaccine prices every 4 months, as long as the adjusted price does not exceed the initial price for that contract. States should offer provider choice of product unless there is a compelling reason for alternative approaches, e.g., universal purchase States where individual provider choice is not as critical.

The new contracting method was chosen after extensive evaluation which included consultation with vaccine manufacturers, organizations representing the private medical community, public health officials, and the immunization projects. This approach was supported by the vast majority of those contacted. It promotes open competition between manufacturers, better assures brand choice, and guarantees all manufacturers access to the public sector market.

The method for ordering vaccine will remain unchanged. The CDC VACMAN ordering system will be modified to allow immunization projects a choice for all vaccine products offered for sale under each manufacturers master contract. All vaccines under contract can be purchased under the standard terms regarding minimum order size per destination. All funding sources, including VFC, 317 grant and state monies, may be used to purchase vaccine through the VACMAN system.

Further details regarding the specific contract conditions will be sent out to immunization programs during the first quarter of 1999. If you have any questions regarding this procedure, please contact Bob Snyder at 404-639-8222.

Sincerely,



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Assistant Surgeon General  
Director  
National Immunization Program