IlLUminate Blog Transcript: Chad Meyerhoefer – What Went Wrong with the Vaccine Rollout?

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ANNOUNCER: 00:00	[music] This podcast is brought to you by ilLUminate the Lehigh Business blog. To learn more, please visit us at business.lehigh.edu/news.
JACK CROFT: 00:13	Welcome. I'm Jack Croft, host of the ilLUminate podcast for Lehigh University's College of Business. Today is February 2nd, 2021, and we're talking with Chad Meyerhoefer about what went wrong with the federal government's distribution plan for the COVID-19 vaccines and his thoughts concerning the Biden administration's plans to bring the pandemic under control in the United States. Dr. Meyerhoefer holds the Arthur F. Searing Professorship in Economics at Lehigh's College of Business. His research focuses broadly on the economics of health and nutrition. Much of his work involves the use of microeconometric methods to evaluate and inform public policy. Thanks for joining us again, Dr. Meyerhoefer.
CHAD MEYERHOEFER: 01:00	Thanks, Jack. It's good to be here.
CROFT: 01:02	Yeah. It seems like another world almost, but it was only in December just before the holidays, a matter of weeks, that we discussed what the federal government's role should be in a global pandemic. And at the time distribution of the first FDA approved COVID-19 vaccine, the one developed by pharmaceutical giant Pfizer and German biotech company BioNTech, was just getting underway. And a second vaccine developed by the National Institutes of Health and Moderna soon followed. While you were critical of many aspects of the federal government's response of the pandemic, you were fairly optimistic about the federal government's distribution plan, as were I think most experts at that time. So starting with a very simple question, what went wrong?
MEYERHOEFER: 01:53	Well, it turns out that a number of things went wrong. And at the time, we did have reason to be optimistic because both the production and distribution of the vaccine was all kind of managed under this Operation Warp Speed. The production phase went relatively well, and that's mostly because in the United States and across the globe, the development of vaccines has really been the purview of large multinational drug companies, and they're pretty good at determining how to go about doing that from a scientific perspective. And there are some scientific breakthroughs that happened that allowed them to derive a vaccine much more quickly than in the past. Now, the other thing that happened was, we in the United States adopted what's called production at risk, which means that we started producing doses of the vaccine before final testing had been conducted yet so that if it turned out that a vaccine candidate was successful, we would already have doses in the pipeline. And so that happened both for the Moderna and the Pfizer vaccine, which means we did have a leg up on the supply of the vaccine available.
MEYERHOEFER: 03:18	Now, on the distribution point, things hadn't happened the last time we talked. We hadn't really had any of the vaccine being distributed yet, and we were just about to have that occur. And looking at the Operation Warp Speed plan, it looked like we would have federal coordination of vaccine distribution in terms of delivery, in terms of tracking, and also the help of the military with logistics and added support to do

the vaccinations. And what we found out actually happened, though, is there were some failures in many of those things. So, first of all, we didn't have full tracking of the vaccine. So the federal government only tracks vaccine up to the point where it was distributed to the states and then no longer kept track of it. And so, now we're in a situation where we have 20 million doses of vaccine that have been issued to states that haven't been administered to patients, and we don't know where they are. We can't account for them. So the Biden administration is currently in this sort of frenzied mode in order to try to figure out where those doses went.

MEYERHOEFER: 04:40 And from a technological standpoint, it's certainly something that could have been done. But that in and of itself is not the most important limitation that we've had in the response of the federal government. The main problem is that the federal government really did not take the lead on vaccine distribution. It handed over much of the administration of the vaccine to patients to states and public health agencies at the state level. And that was not something that we would have expected looking at the plan that was developed under Operation Warp Speed. Now, granted, that plan was very terse in terms of its detail. They didn't have a lot of details, more of a broad overview of what to expect, but it really implied that we would have more federal involvement here. And so, there's a couple of problems with that. One is that states are limited in several ways when it comes to doing something on the scale that's necessary to get the COVID vaccine to people's arms. One is that they're facing significant budget shortfalls due to the lack of tax revenue that's being generated from the fact that the economy has been so harmed by this virus. So they're in a situation where they don't have as much funding from tax revenue as they usually do. And at the same time, they have to somehow recruit extra resources in order to accomplish this objective.

MEYERHOEFER: 06:26 The other thing is that states don't have what we would call surge capacity. So surge capacity is that you have a normal level of operation in any public health agency, and then during an emergency, you have to bring more people to address a certain problem. And so, you have to have more employees. You have to have more time put in. You have to port resources. And so, that's something that, for example, the military can do very well. They have a normal level of operation, and then when we fight a war, there's this huge surge in resources that is projected onto whatever the mission is. And we have a few mechanisms to do that at the federal level, but, states, they just don't have the reserves to be able to recruit people to help out with this vaccine distribution, nor do health care systems. So because many health care systems are already overburdened treating COVID-positive patients, there's not a lot of extra health care workers out there that can give these vaccines. So then the question is like, "Who's going to do that?" I think initially, we thought that the military would play a larger role here in basic logistics and also vaccine administration. And that really hasn't happened for a variety of reasons, I guess. But in the early stages of the pandemic, we did have almost 45,000 National Guard troops called up to help respond to the pandemic. That was, of course, several months, many months before we had the vaccine available. And so the assumption was that-- the military is very good at logistics, and then the assumption was that once we came to the vaccine distribution phase, the military could really help private companies to manage that logistical challenge of getting the vaccine everywhere it needed to be.

MEYERHOEFER: 08:36 But now, or not now, but in December of 2020, a little over a month ago, when the vaccine was just starting to roll out, we only had about 18,000 National Guard troops

deployed under what's called Title 32. Now, the distinction in the title there is important because normally the states are responsible for paying the cost of a National Guard deployment unless it's under something like Title 32 where the federal government pays. And so, having only like 18,000 troops called up under Title 32 to help distribute the vaccine is a much smaller number than what we expected. Just to give you as a comparison, when the National Guard was called in the aftermath of the storming of the Capitol, there were 26,000 troops called up just to secure the Capitol. We're only talking about 18,000 troops that have been called up under Title 32 in December for COVID relief. If we take a look at the whole size of the National Guard, there are about 445,000 troops in the National Guard. So there's certainly the capacity there to have a larger role being played by the military in terms of logistics and even vaccine administration.

MEYERHOEFER: 10:12 We also need the federal government to-- so there's a resource issue. That's one thing that we need the federal government's help for. We need the federal government to be able to train people to administer the vaccine, to pay them, and then to make sure that this is being done consistently across the country. And that hasn't happened. So because every state is sort of doing things differently, what that means is some states are going to be more effective than others. West Virginia, for example, has done a pretty good job of distributing the vaccine, but other larger states have not. And the reason why that's problematic is that if the virus is relatively uncontained in some states, then having that happen is going to allow that virus to persist and put everybody in the country at risk-- more so than would be the case if we had an even approach across the entire country. And in order to have that even approach, you really need to have federal oversight, which hasn't happened. And in a way, it's like we haven't learned our lesson from the problem with PPE that occurred — personal protective equipment — the shortages we had there at the early stages of the pandemic. So if you recall, there wasn't enough PPE and states had to go get it on their own and there was no federal coordination and it just didn't work. And so we're revisiting that now with the vaccine distribution.

CROFT: 11:52 Right, looking at that from kind of that broader perspective, I mean, there are certain things that many would argue states do more effectively than the federal government. There are some things that the federal government does more effectively than states. And kind of getting back to that first question of the role of the federal government in the global pandemic and, in this case, how that relates to the role of the states, it sounds like in a national health crisis, which is actually an international health crisis, it's imperative for the federal government to be taking the leadership role in this to make sure that there's a more standardized approach. Is that summing it up?

MEYERHOEFER: 12:40 Yeah, that's absolutely correct. So in the United States, we are unusual as a country in that we have these multiple layers of government, so relatively less federal control, and we allow states to manage a lot of things on their own. And so, the advantages of that are states can kind of tailor the provision of some services to the preferences of their population. So, for example, states may have different state and local tax systems. And having different systems across the country can be good because we might find out that in one state the way that they collect taxes is more effective than in other states and other states can learn from that. We also have, for example, local control of education. And so, that allows some states to put more resources into education or stress different things in education if their populations desire that. And

so, there's some things where having local control is good, but there's some things where having local control of something doesn't work out as well. And that's in the case of what economists call situations where there are externalities.

MEYERHOEFER: 14:04 And the classic case of an externality, a negative externality, is one where someone doesn't get vaccinated, actually. And so, think about it this way, if you have each state administering vaccination programs differently, in some states it's not going to work very well and in other states, it's probably going to work a lot better. So in the state where it doesn't work very well, the virus is going to be less well controlled. And so, it's going to survive in that area. And then even if all the other states did a good job with their vaccination programs and started to get people vaccinated, the fact that the virus was uncontrolled in that one state would put all of the people living in all the other states at risk. And that's because the virus isn't going to be contained essentially within the state that has a poor vaccination system. It's eventually going to spread out across the country again. And so, if you want to manage a problem like this that just goes across state boundaries very easily, you need to have federal oversight so that you can attack that problem in a consistent way and make sure that you don't have any of these hotspots, these places where the virus is flaring up or being resistant. You can't have that. You have to kind of-- you have to be able to manage it at the same level everywhere.

MEYERHOEFER: 15:40 And so, that's just in terms of the effectiveness of fighting the virus. There's a whole other set of issues associated with equity. In some states, it could be that the elderly get a different priority than in others. I mean, they may all be following CDC guidance, but because of the way they've set things up, there could be a lot of inequalities that occur across states and access to the vaccine. And that's something that only the federal government can really manage. So this is a coordination problem, and it's a clear case where the federal government needs to take the lead because only the federal government can coordinate this activity across all the states.

CROFT: 16:26 One of the other things that's changed since we last talked is that a new administration was inaugurated, and President Biden quickly implemented a more centralized approach for the federal government in countering COVID-19, describing it as a, quote, "Full-scale war-time effort." What are some of the most important differences between the approach of the Biden administration and that of his predecessor?

MEYERHOEFER: 16:55 Well, one of the most important differences is that under the Biden administration, there is a comprehensive plan. So you can actually go to the White House's webpage and you can pull up the Biden administration's plan for the coronavirus pandemic, and it’s a 200-page plan. So there's a lot more detail there. That in and of itself is important because in the previous administration, we did not have any evidence of that type of comprehensive plan. And so, having it out there allows people to read it, to scrutinize it, to comment on it. It allows it to be improved. And so, it's important to have the visibility of the plan that we want to put into effect just to make sure it's the best plan that we can have. So there is a plan, and then there's definitely-- obviously, like all types of federal plans of this nature, they're not always specifying things to a very fine level of detail. But there is certainly evidence in the Biden plan of a higher level of coordination and the fact that some additional resources are going to be brought to bear on the pandemic.

MEYERHOEFER: 18:15

So, for example, a few things that the Biden administration is doing that weren't being done under the past administration are higher rates of funding to health care providers in order to pay for the administration of the vaccine. So removing cost as a barrier to some extent for vaccine administration. The other thing is the potential use of the Defense Production Act to increase the supply of certain items needed for vaccine administration. So if you recall, the previous administration had talked about potentially using the Defense Production Act, in particular, for the production of personal protective equipment, but it was never actually put into effect. But at the same time-- a lot of times when you have situations like this, it's the logistics and distribution that are really the challenge, not necessarily the supply of the vaccine itself. So you have to have enough PPE. You have to have enough syringes. You have to have enough other sort of inputs into the process that are necessary. And that you have to have enough COVID testing kits, which we haven't had enough of. Using the Defense Production Act can help us in the short run ramp up those necessary supplies very quickly. The Biden administration is also allowing funds from the FEMA Disaster Relief Fund to be distributed for this purpose. So that's liberating more financial resources. They're also going to have a coordinated federal public education campaign, basically assuring people that the virus is safe, that it's effective, and communicating the need for people to get the vaccine.

MEYERHOEFER: 20:07

So, famously, in the last administration, there was a real lack of any type of encouragement for the use of devices that are fundamental to the management of a pandemic, in particular face masks. And the new administration has made it clear that until everyone's vaccinated, we have to follow social distancing guidelines. We have to wear masks. And doing what it can do within its authority to do in terms of enforcing the use of masks. They can enforce it on federal property, which they've done. So there is definitely more of a coordinated response here. There nothing in the plan about the use of the military specifically to help with logistics and distributing the vaccine, but there are some things where it could come into play. So, for example, the Biden plan talks about increasing access points where you can get the vaccine. So they're starting to draw more heavily on pharmacies to be able to administer the vaccine, which is, of course, where you get your flu vaccine, right, is from-- many people get that from the pharmacy. But the challenge there has been, with these vaccines they have to be stored at a very, very cold temperature. So it requires specialized equipment in order to have the supply in a place that's not like a hospital. But then that takes resources. It takes money. That takes some additional effort. And so, it seems that the Biden administration is putting the effort into being able to distribute the vaccine at those locations. We did hear-- excuse me. We did hear something about that back in December and November. I remember listening to one of the representatives of Operation Warp Speed talk about these mobile vaccination centers where they had these mobile cold storage units where they could ship and administer it. But we just didn't see that in the community. And so, that may exist, but at a very low level. And so, hopefully, what we'll see is those types of efforts are being increased significantly.

CROFT: 22:41

Well, hopefully, the next time we talk we'll be talking about progress and perhaps even turning a corner. But we thank you for following this closely and for coming back to share what's happened over the last just over a month. And we look forward to talking with you again at some point.

MEYERHOEFER: 23:05 All right. Thanks, Jack. It was great talking to you as always.

CROFT: 23:09 I'd like to once again thank my guest, Chad Meyerhoefer. Dr. Meyerhoefer is a research associate at the National Bureau of Economic Research. Prior to joining the faculty at Lehigh, he served as a research economist at both the CNA Corporation and the U.S. Agency for Healthcare Research and Quality. This podcast is brought to you by ilLUminate the Lehigh business blog. To hear more podcasts featuring Lehigh business thought leaders, please visit us at business.lehigh.edu/news. And don't forget to follow us on Twitter @LehighBusiness. This is Jack Croft, host of the ilLUminate podcast. Thanks for listening. [music]