HPAI Virus Elimination: Flat Rate Payments

January 8, 2016

Introduction

Eliminating highly pathogenic avian influenza (HPAI) virus from affected premises is a crucial step toward resuming operations. In the past, the standard process involved reimbursing producers and contractors for work done, which sometimes resulted in lengthy delays in payments due to the need for cooperative compliance agreements (CCAs).

To streamline the process, APHIS is moving to a flat-rate payment for virus elimination activities. Invoices and CCAs will no longer be needed; payment will be on a per-bird basis. This approach will also allow for some cost sharing by producers and will help ensure that APHIS isn't covering routine or deferred maintenance and biosecurity under virus elimination payments. In addition, APHIS will make payments in two installments — another revision that will get funds to producers more quickly.

What costs were included in calculating the flat rates?

During the 2015 HPAI outbreak, APHIS determined that dry cleaning and heating barns for virus elimination is the most cost effective means of virus elimination, although we recognize that other methods may be equally suitable in a given set of circumstances. We used heat disinfection as the basis to calculate the flat rate.

The critical activities in virus elimination include barn preparation, a cleaning step, and a disinfection step. APHIS broke down the data into these types of activities and calculated flat rates based on those that would be performed in a future outbreak.

Activities included in the calculation of the flat rates:

- Barn preparation – Labor, equipment, and supplies to prepare the barns for virus elimination.
- Dry cleaning – Labor and equipment to remove gross organic material that remains after disposal efforts; labor and supplies for disassembly, cleaning, and reassembly of equipment such as waterers or egg conveyors; and cleaning and disinfecting equipment used for other activities (e.g., payloaders).
- Heating – Labor, equipment, and utilities to heat barns to between 100F and 120F for 7 days, with at least three of those days being consecutive.

Activities not included in the calculation of the flat rates:

- Costs of routine or deferred maintenance. This includes activities such as mowing around barns and fixing holes in barns and in fan screens.
- Biosecurity practices such as insecticide and rodenticide application, as well as clerical and accountant time.

- Fresh replacement bedding in clean houses. (This does not include the purchase of litter, bedding, and feed from farmers to build compost piles, which APHIS does as part of disposal activities.)

How much will APHIS pay?

Here are the preliminary flat rates for turkey and layer commercial premises. While we do have cost data on a limited number of layer pullet flocks, layer and turkey breeder flocks, backyard flocks, and specialty bird flocks, there were few farms of those types in the early 2015 HPAI outbreak on which to base a flat rate.

Virus elimination flat rate for turkey grow-out farms: $3.55 per bird

Virus elimination flat rate for layer farms: $6.45 per bird

There were no large commercial broiler farms infected during the 2014-2015 HPAI outbreak; thus there are no data specific to broilers on which to base flat rates. APHIS extrapolated broiler rates based on the costs associated with turkeys, which, like broilers, are raised on a barn floor. This extrapolation is an interim solution; the size of turkey barns is similar to the size of broiler barns, and we anticipate that the same types of activities will be performed to dry clean and heat broiler barns as turkey barns. APHIS used industry standards for broiler stocking density to extrapolate per-barn turkey grow-out costs to per-bird broiler costs.

Virus elimination flat rates for broiler farms: $1.15 per bird

How did APHIS analyze virus elimination data from 2015 HPAI outbreak?

Over the course of the 2015 HPAI outbreak, cleaning and disinfection (C&D) of affected premises shifted from classical wet cleaning and chemical disinfection procedures to less time intensive and more cost-effective methods. Data on the costs of these C&D activities were collected from farmer-reported expenditures on commercial turkey, layer, and layer-pullet farms under CCAs and from contractor costs incurred by Veterinary Services during the 2015 outbreak in Arkansas, California, Iowa, Minnesota, Missouri, North Dakota, South Dakota, and Wisconsin. APHIS analyzed the data from the CCAs and any associated vendor contracts from 209 commercial farms to calculate the flat rates for virus elimination in future outbreaks. Farm level response cost data used in this analysis did not include indemnity, nor APHIS personnel, supplies and overhead.

There were significant cost differences between eliminating the virus on caged layer farms and eliminating the virus from turkey grow-out farms. The average cost of eliminating the virus on a commercial layer farm was $8 million compared with just $170,000 for the average commercial turkey grow-out farm. This cost difference is partially due to the fact that, typically, layer farms have more barns and birds than farms raising birds on the floor, and cleaning and disinfecting layer cages is more labor intensive than cleaning facilities where the birds are floor-raised. Other variables exist which APHIS accounted for when determining the flat rate, such as cleaning beyond that required for effective virus elimination.

How are flat rates calculated and paid?

To calculate the flat rates, virus elimination costs per farm were summed across all farms, stratified by farm type: caged layers and turkeys. This total was divided by the number of birds depopulated for each farm, again stratified by farm type. Since we have found dry cleaning and heating to be the most cost-effective virus elimination method, we used that as the basis for the calculation. Producers have the responsibility of conducting or contracting for the covered activities and may choose to use any effective virus elimination method with the funds provided. Because there are no virus elimination activities associated with lying fallow, producers who choose this approach rather than cleaning to eliminate virus will not be offered funding.

APHIS plans to make two payments direct to the producer/owner, each for 50% of the total calculated value. The initial payment is to be requested via a VS 1-23 form and is paid after the flock plan is completed. A second (final) VS 1-23 will be signed and paid after laboratory testing of environmental samples is completed with negative results reported.

APHIS will continue to provide oversight to meet our responsibility of ensuring that the HPAI virus is quickly contained and fully eliminated.