Fair and equitable pricing based on cost of goods sold (COGS) and volumes

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MSF Access Campaign
Fair pricing of equipment and commodities

is transparent and evidence based

- cost of goods sold (COGS) + ‘reasonable’ profit mark-up
  - Standardize COGS methodologies and use COGS in price negotiations
  - Standardize pricing structures taking into account
    - R&D and trial costs invested by supplier vs. public investments
    - Re-investing profit to scale-up and improve access vs. shareholders
    - Start-ups with low volumes vs. established high volume companies
    - Pooled COGS across disease tests
  - ‘Reasonable’ profit mark-up
    - 20% as signed by Cepheid with FIND in 2006
    - 10% in high-demand algorithm, 50% in low-demand algorithm

Fair pricing of equipment and commodities

How?

• Develop a standardized framework for COGS transparency and methodology
• Develop a standardized framework for fair pricing structures
• Use the frameworks in price negotiations with suppliers
• Enhance negotiation power by pooling volumes across diseases and regionally for small volume countries, and facilitate competition
• A fair price is an all-inclusive price
• A fair price should be for both public and private sector
• Attach transparency, access and fair pricing conditions to public funding of R&D and trials
Fair pricing of equipment and commodities
Regulate the mark-ups by distributors

- **Anecdotal examples**
  - 2022 quote for GX-IV 10C system to MSF by local distributor in HBDC: $45,045
  - 2018 price for Xpert MTB/RIF cartridge in private sector in HBDC: $150
- **Countries and actors should coordinate how to regulate the distributor mark-ups**
- **IPAQT example in India (2013)**

### Xpert MTB/ RIF

<table>
<thead>
<tr>
<th>Component</th>
<th>Private Sector</th>
<th>IPAQT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex-factory price</td>
<td>$19.1</td>
<td>$10.0</td>
</tr>
<tr>
<td>Transport + taxes</td>
<td>$10.0 (53%)</td>
<td>$6.4</td>
</tr>
<tr>
<td>Distributor margins</td>
<td>$8.0 (21%)</td>
<td>$1.3</td>
</tr>
<tr>
<td>Reference lab margins*</td>
<td>$10.3 (27%)</td>
<td>$6.0</td>
</tr>
<tr>
<td>Franchisee lab margins**</td>
<td>$8.0 (12%)</td>
<td>$3.6</td>
</tr>
<tr>
<td>Provider incentives**</td>
<td>$8.0 (12%)</td>
<td>$3.6</td>
</tr>
<tr>
<td><strong>Patient price</strong></td>
<td>$30.9</td>
<td>$63.8</td>
</tr>
</tbody>
</table>

*Although the per unit returns are lower, all the players could make higher aggregate returns on basis of higher volumes*