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Transforming efficiency and access for VL
testing through strategic procurement

PEPFAR VL/EID procurement update



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PEPFAR
U.S. President's Emergency Plan for AIDS Relief

The global RFP initiative was launched to address several challenges PEPFAR-supported countries were experiencing in the viral load market



Viral load market had several challenges

Sub-optimal procurement, e.g.,

- Up to 2x differential in pricing for same product across countries
- Low transparency into testing data/metrics
- Siloed procurement of reagents and services

Some countries locked into single supplier situations, creating supply risk, misaligned incentives, and low service levels

Uneven appetite for change, due in part to entrenched relationships between countries and suppliers

Fragmented procurement and planning activities across global partners and countries



Recent developments created imperative and opportunity to transform the market

Gaps in achieving 90-90-90 target

Rapidly expanding volumes across several countries

New entrant Hologic offered competitive threat to Roche and Abbott

Early success in transition to reagent rental in Mozambique, Nigeria and Haiti

Improved collaboration with partners

Through the global RFP, PEPFAR took a fundamentally different approach to procurement

Global RFP approach to capture efficiencies



Moved from country-specific to global procurement negotiations and contracting

- Maximized volume leverage by pooling reagent and service volumes across countries
- Reduced manufacturer pricing power stemming from sole-source positions in individual countries
- Adopted single global price for reagents and consumables



Adopted volume-tiered pricing

- Provided ability for manufacturers to bid lower prices for higher volumes



Increased focus on services and data

- Adopted all-inclusive pricing model for all priority countries
- Established higher, standardized service level requirements
- Required manufacturers to share operational data (where technically feasible) and report on KPIs

Maximized competition

- Included new suppliers to challenge incumbents
- Conducted strategic ramp-up planning conversations with new suppliers



Drove greater price transparency

- Required suppliers to price each product/service individually
- Benchmarked pricing across and within countries to address outliers

The first wave of the global RFP focused on establishing a global reagent price together with service pricing for six select countries

Reagents and consumables

Country-specific services

- Wave 1 (complete)
- Wave 2 (to come)

Single global reagents and consumables access price per supplier

All PEPFAR countries covered in Wave 1

70% Total spend

Country-specific service pricing

Countries included in Wave 1

- Kenya
- Mozambique
- Nigeria
- Tanzania
- Uganda
- Zambia

25% Total spend

Remaining countries for Wave 2

- DRC
- Cameroon
- Cote d'Ivoire
- Ethiopia
- Zimbabwe

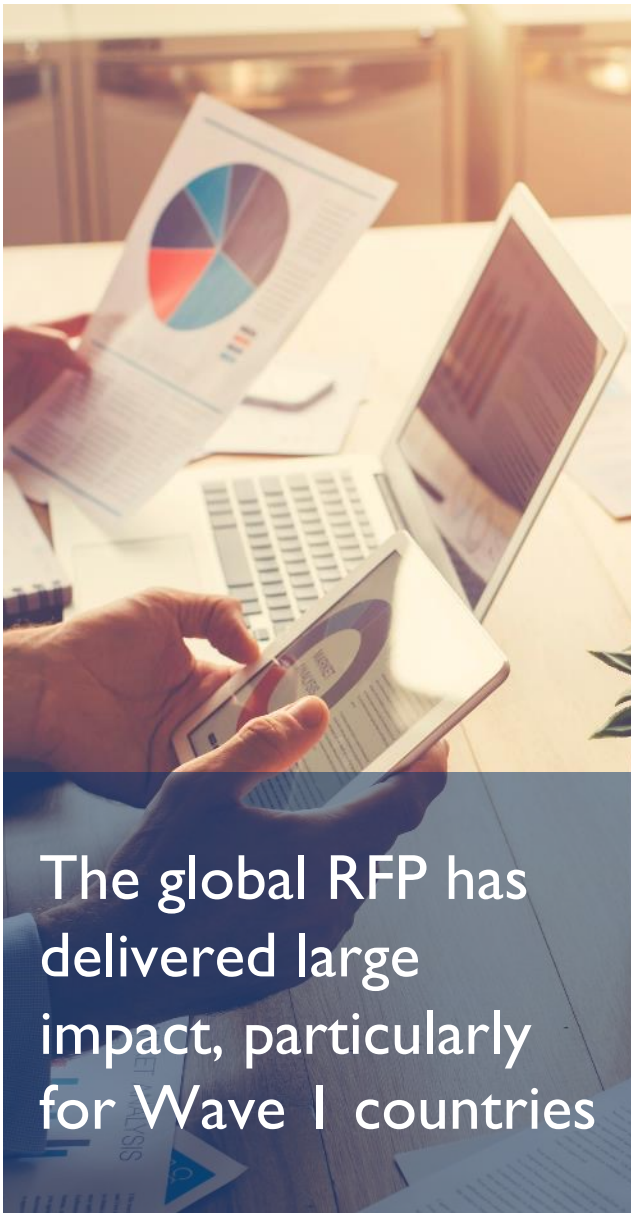
+ 5 other countries¹

5% Total spend

Services include

- Distribution
- VMI
- Equipment
- Maintenance
- Training

¹Including Haiti, Eswatini, Burundi, Togo, Burkina Faso



The global RFP has delivered large impact, particularly for Wave I countries

\$2

Per test average reduction in price across PEPFAR portfolio

10

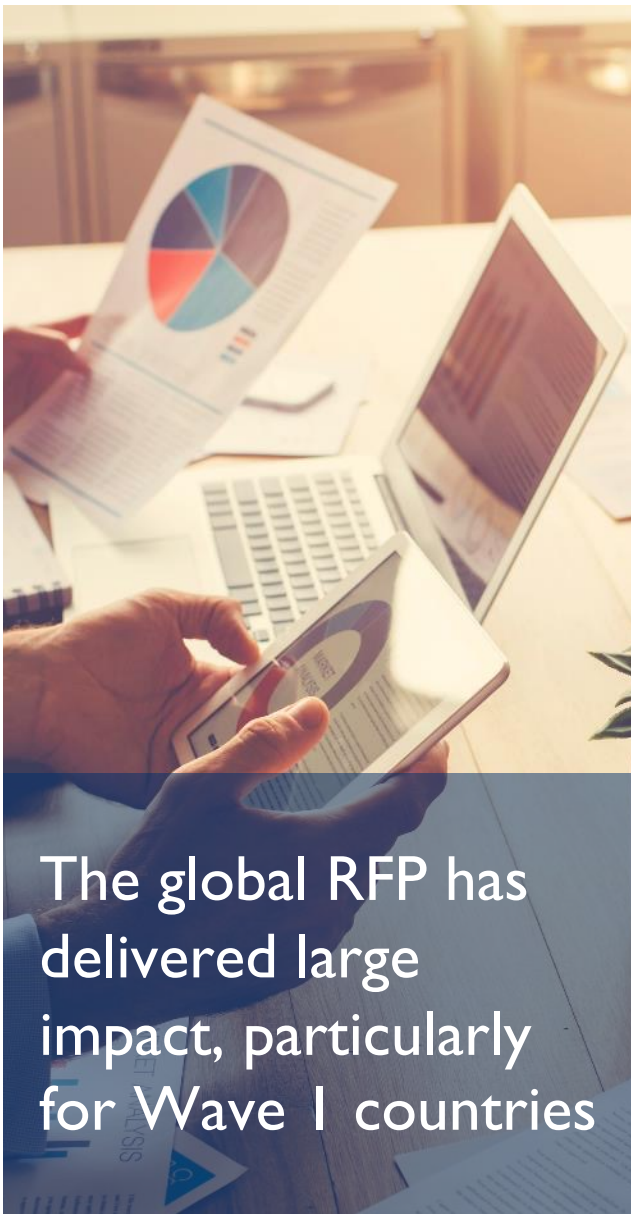
KPIs established with monthly reporting



3rd supplier ramping up in several countries to increase competition



Efforts underway to provide operational data reporting from machines

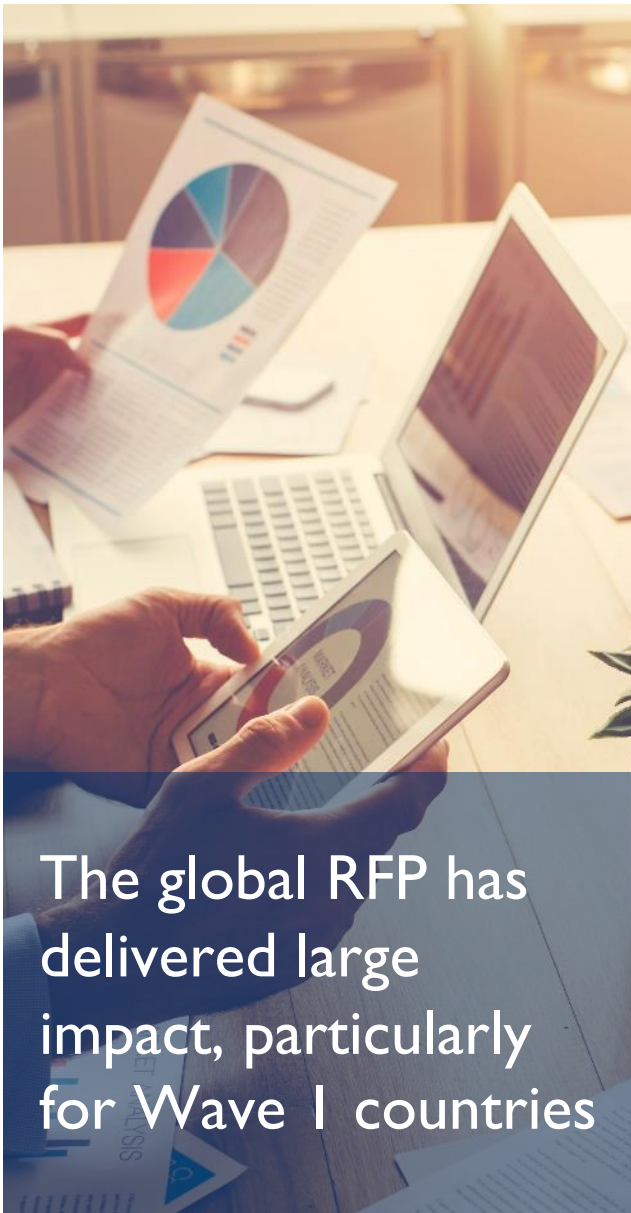


The global RFP has delivered large impact, particularly for Wave I countries

Reagents & Consumables Price per test:

	2019 R&C Price per test	2022 R&C Price per test
Abbott	\$ 12.59*	\$ 8.00
Hologic	\$ 7.52	\$ 6.49
Roche	\$ 8.23	\$ 6.91
Cepheid	\$ 14.90*	\$ 14.96*

*Indicates estimates of average price, based on available information.



The global RFP has delivered large impact, particularly for Wave I countries

Prior to the GRFP, pricing varied widely and was not standardized. Even with standardized R&C pricing via the GRFP, services, incoterms, and services pricing can still vary widely between countries across the W1/W2 spectrum.

	2019 All-Inclusive Price (Raw Avg.)	2022 All-Inclusive Price (Raw Avg.)	% change in Raw Avg. All-Inclusive Price
Abbott	\$ 15.19	\$ 10.90	-28%
Hologic	\$ 11.18	\$ 9.13	-18%
Roche	\$ 12.72	\$ 10.50	-17%
Cepheid	\$ 14.90	\$ 14.96	0%

Raw Average All-Inclusive Price per test

The RFP included 10 rigorous KPIs that suppliers have agreed to meet

Category	Indicator	Standard Target ¹
Maintenance, insurance, and ongoing end user training	1 Percentage of machines that are serviced with 2 preventative maintenance visits per contract year	100%
	2 Mean time to response for equipment breakdown: time lapsed from time issue first reported to the time a follow-up plan is communicated to the customer	48 hours
	3 Mean time to repair: average # of calendar days lapsed from time issue first reported to job completion	≤ 5 days
	4 Percent of instruments that experience ≤2 outages which occur less than 3 months after any scheduled / unscheduled maintenance work, per year	100%
	5 Percentage of machines that are operational >85% of days each quarter	100%
	6 Average percentage of failed tests due to machine or human error	<5%
Connectivity/ reporting	7 Percentage of Quarterly Reports submitted on-time per the terms of the subcontract	100%
	8 Average percentage "uptime" of automated reporting system	>95%
Commodity supply chain management	9 Of batches with committed goods available date (C.GAD) in the month, percentage of batches that comply with the shelf life terms in the Basic Ordering Agreement (BOA)	100%
	10 Percentage of line items delivered in full and on time. In-full is measured against agreed ordered quantities. On-time is defined based on incoterm as either 7 days prior/3 days after or 14 days prior/7 days after the current committed goods available date	>90%



These KPIs are all included in contracts, although final targets may vary slightly for select suppliers/countries. Suppliers are contractually obligated to meet these KPIs and will be monitored regularly.

2021 KPI Results (Q1-Q3): Key Observations

- Overall, the performance of all three suppliers improved from 2020 to 2021
- Targets for KPIs 5 (Instrument Uptime) and 10 (On-Time Delivery) continue to be most challenging for the suppliers to meet
- Most improvements are observed for KPI 9 (Reporting Rate)
- Lower than target performance for KPI 2 and 3 (Abbott and Hologic) appear to be specific to a particular country rather than systemic. It's being further investigated
- Monitoring and measuring KPI 1 may require a change in methodology and a more specific target definition

Questions/Comments

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