Transforming efficiency and access for VL testing through strategic procurement

PEPFAR VL/EID procurement update

Jason Williams
Technical Branch Chief
GH/OHA/SCH
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

- 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

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

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

- Adopted volume-tiered pricing
- Increased focus on services and data
- Drove greater price transparency

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

Moved from country-specific to global procurement negotiations and contracting

Maximized competition
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

Single global reagents and consumables access price per supplier

All PEPFAR countries covered in Wave 1

Country-specific services

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 countries

70% Total spend

5% Total spend

Services include

- Distribution
- VMI
- Equipment
- Maintenance
- Training

Including Haiti, Eswatini, Burundi, Togo, Burkina Faso

USAID Global Health Supply Chain Program
The global RFP has delivered large impact, particularly for Wave 1 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 1 countries.

### Reagents & Consumables Price per test:

<table>
<thead>
<tr>
<th></th>
<th>2019 R&amp;C Price per test</th>
<th>2022 R&amp;C Price per test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott</td>
<td>$ 12.59*</td>
<td>$ 8.00</td>
</tr>
<tr>
<td>Hologic</td>
<td>$ 7.52</td>
<td>$ 6.49</td>
</tr>
<tr>
<td>Roche</td>
<td>$ 8.23</td>
<td>$ 6.91</td>
</tr>
<tr>
<td>Cepheid</td>
<td>$ 14.90*</td>
<td>$ 14.96*</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Company</th>
<th>2019 All-Inclusive Price (Raw Avg.)</th>
<th>2022 All-Inclusive Price (Raw Avg.)</th>
<th>% change in Raw Avg. All-Inclusive Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott</td>
<td>$15.19</td>
<td>$10.90</td>
<td>-28%</td>
</tr>
<tr>
<td>Hologic</td>
<td>$11.18</td>
<td>$9.13</td>
<td>-18%</td>
</tr>
<tr>
<td>Roche</td>
<td>$12.72</td>
<td>$10.50</td>
<td>-17%</td>
</tr>
<tr>
<td>Cepheid</td>
<td>$14.90</td>
<td>$14.96</td>
<td>0%</td>
</tr>
</tbody>
</table>

Raw Average All-Inclusive Price per test
The RFP included 10 rigorous KPIs that suppliers have agreed to meet.

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
<th>Standard Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance, insurance, and ongoing end user training</td>
<td>Percentage of machines that are serviced with 2 preventative maintenance visits per contract year</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>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</td>
<td>48 hours</td>
</tr>
<tr>
<td></td>
<td>Mean time to repair: average # of calendar days lapsed from time issue first reported to job completion</td>
<td>≤ 5 days</td>
</tr>
<tr>
<td></td>
<td>Percent of instruments that experience ≤2 outages which occur less than 3 months after any scheduled / unscheduled maintenance work, per year</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Percentage of machines that are operational &gt;85% of days each quarter</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Average percentage of failed tests due to machine or human error</td>
<td>&lt;5%</td>
</tr>
<tr>
<td>Connectivity/reporting</td>
<td>Percentage of Quarterly Reports submitted on-time per the terms of the subcontract</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Average percentage &quot;uptime&quot; of automated reporting system</td>
<td>&gt;95%</td>
</tr>
<tr>
<td>Commodity supply chain management</td>
<td>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)</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>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</td>
<td>&gt;90%</td>
</tr>
</tbody>
</table>

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

Acknowledgment: All slides and content provided by GHSC-PSM