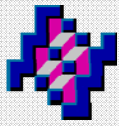


Development of benchmarks to improve price negotiations of antiretroviral medicines (ARV) for low and middle income countries



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Problem Statement: There exist large differences in public procurement prices between countries for ARV caused partly by inefficiencies in the procurement process.

Objective: To design different price benchmarks to improve price negotiation for four first-line and three second-line ARVs combinations and to discuss their relevance in different country contexts.

Interventions: Three different benchmarks were developed to illustrate how much procurement agencies could save during ARV procurement:

- lowest generic price (LGP)
 - lowest innovator price (LIP) and
 - median procurement price (MPP)
- calculated by income level for four first-line combinations and three second-line ARV combinations.

Saving scenarios were developed in which countries paid benchmark prices. For those countries which paid lower procurement prices than the benchmark prices, the current procurement price was used.

Results : In total, 2,395 procurements of 16 different ARV dosages forms from 85 countries (36 low-income, 39 lower-middle and 11 upper middle income) were included in the analysis. For first-line combinations, stratified by income group, the MPP was higher than the lowest generic procurement price in that income group but below the lowest innovator price in that income group (except in two out of twelve cases) (Table 1).

Table 1. First line combination price scenarios by level of income

		d4t+3tc+nvp	zdv+3tc+nvp	zdv+3tc+efv	d4t+3tc+efv
Low income	MPP	\$102	\$183	\$288	\$208
	LGP	\$66	\$139	\$285	\$204
	LIP	\$299	\$350	\$504	\$423
Lower middle income	MPP	\$102	\$190	\$303	\$215
	LGP	\$80	\$153	\$161	\$73
	LIP	\$73	\$153	\$467	\$380
Upper middle income	MPP	\$161	\$248	\$402	\$314
	LGP	\$73	\$153	\$303	\$215
	LIP	\$818	\$460	\$409	\$226

For second-line combinations the MPP was -for most combinations- higher than lowest innovator prices but lower than the lowest generic prices (Table 2).

Table 2. Second line combination price scenarios by level of income

		abc+ddi+lpv	ddi+3tc+lpv	zdv+ddi+lpv
Low income	MPP	\$1,113	\$821	\$887
	LGP	\$934	\$869	\$920
	LIP	\$730	\$321	\$372
Lower middle income	MPP	\$1,265	\$973	\$1,046
	LGP	\$1,069	\$850	\$909
	LIP	\$1,113	\$704	\$763
Upper middle income	MPP	\$1,736	\$1,356	\$1,422
	LGP	\$1,759	\$1,511	\$1,570
	LIP	\$905	\$599	\$752

Policies and practices targeted: Public procurement of high cost medicines.

Stakeholders involved: Social security institutions, ministry of health, pharmaceutical industry as well as patient interest groups.

Region covered: Global.

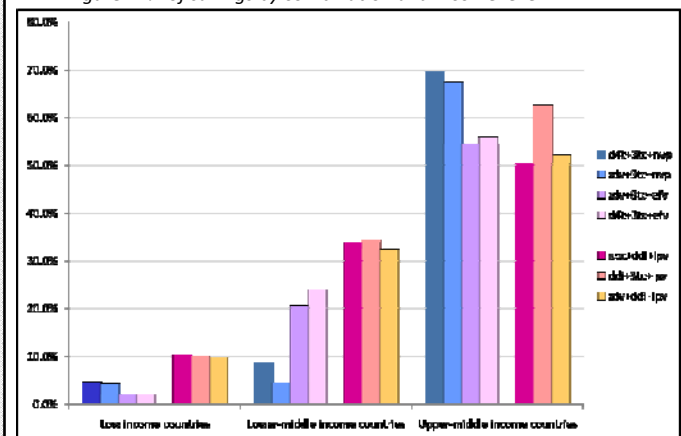
Study design: Cross-sectional data.

Time period: 2008

Setting: The World Health Organization Global Price Reporting Mechanism (GPRM) was used as the data source for analysis.

Results : Even if countries were only able to negotiate the MPP of their income group, the annual savings for ARV procurement would be between 8.7 and 32.4% out of the total amount spent for lower-middle and 50.3 to 69.2% for upper-middle income countries (Figure 1).

Figure 1: % of savings by combination and income level



Conclusions:

- Using benchmark methods should provide policy makers with relevant information to compare procurement prices. Different benchmarks provide complementary information:
- The median procurement price indicates the country's performance against other countries in the same income group.
- The lowest generic or lowest innovator prices provides information about the possible further price reduction and hence, savings.
- The production cost benchmark might have particular importance in highlighting the minimum expected prices for an ARV which is more feasible to achieve for generic ARV than innovator ARV.*

Lessons learned:

- Defining price benchmarks can provide relevant information to detect inefficient procurement procedures.
- There is currently no agreement on best practice of defining benchmarks;
- Transparency in procurement prices is a pre-requisite; however, there are currently a lack of incentives to individual countries or agencies to report transaction prices which jeopardize data availability.