HLSP Institute

A value for money perspective on Global Health Initiative market-shaping activities

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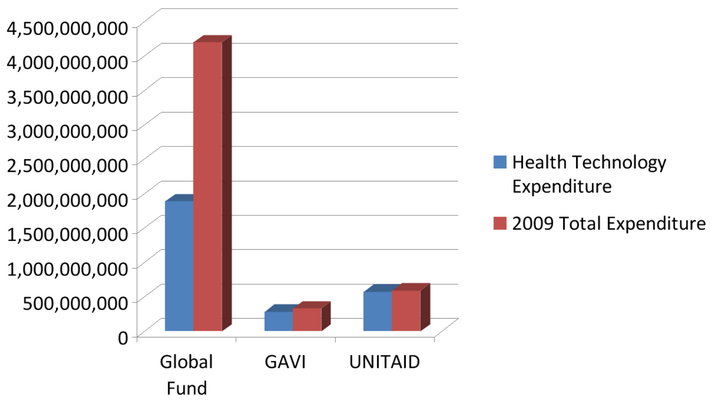
Background

In the past decade, the global architecture around access to medicines for neglected diseases has changed, in particular with the rise of Global Health Initiatives (GHIs) as major sources of health technology funding. However, our knowledge of the impact of GHIs on access to medicines, as an essential part of functioning health systems, is limited. The Lancet paper written by the Positive Synergies Collaborative Group[1] had little to say about medicines and especially about GHI impact on upstream supply markets, even though such impact is important to understand from a pricing and supply security point of view.

The study question

In the current economic environment donors are under increasing pressure to demonstrate value for money (VFM). As a large portion of the money spent by major GHIs is on health technologies (Fig. 1), an obvious question is: *are GHIs influencing market dynamics in ways that encourage VFM, and if so, how?*

Figure 1. How important is expenditure on health technologies?



Data sources: GAVI website, 2009 UNITAID Annual Report, 2009 Global Fund Annual Report (assumed technology spend of 45%)

Overview

GHIs do not impact pricing directly; however, they may, whether by virtue of a deliberate market-shaping strategy or simply due to their funding presence, impact market structure. Changes in market structure may result in changes to pricing, supply availability and/or product characteristics. But attributing market impact resulting directly from a given GHI intervention is challenging, because of system interdependencies on two levels:

1. Interdependencies between policies of different actors and interventions by various funders (where funding is fragmented) – making attribution a challenge

2. The relationship (often inverse) between interventions which attempt to impact price and those which aim to impact supply security, quality, acceptability and delivery – making it difficult to isolate the impact of a single intervention or distinguish which intervention has had the most impact

[1] *An assessment of interactions between global health initiatives and country health systems*. World Health Organization Maximizing Positive Synergies Collaborative Group. Lancet, 373 (9681): 2137–2169, 20 June 2009.

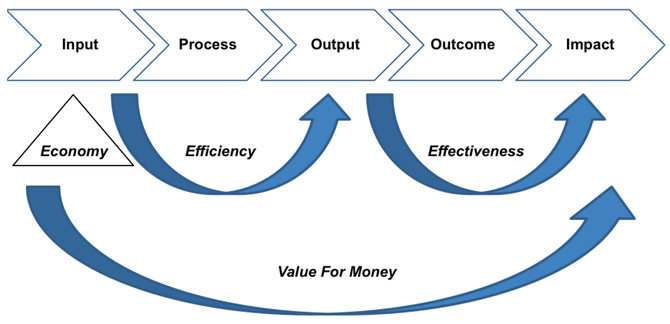
Where the GHI is the dominant funder of a product category, we can be relatively confident that the GHI's actions have been a major influence on changes within that product class. Where the product funding is more fragmented, interviews with GHIs, independent experts and industry can guide our conclusions about relative influence.

The second challenge – interdependencies between interventions aimed at different aspects of access – highlights the need to take a comprehensive approach to monitoring and measuring the market impact of GHIs, as a contributor to health impact. Interventions aimed at price reduction are an obvious objective, but this must be balanced by a focus on achieving or maintaining supply security, quality, acceptability and availability.

Conceptual framework

The UK Audit Commission provides a useful framework for assessing value for money.

Figure 2: UK Audit Commission Value for Money Framework

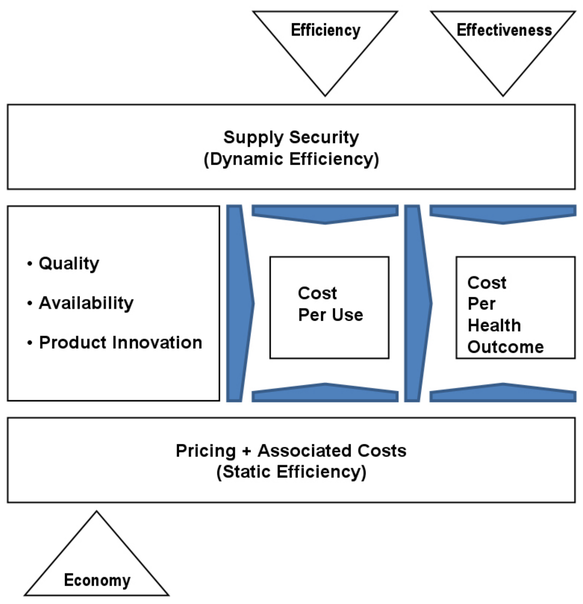


Source: http://www.improvementnetwork.gov.uk/imp/core/page.do?pageId=1068398

If we map standard value for money dimensions against GHI market shaping activities, then the 'economy' category would relate to the **price** of the health technology and cost to deploy it. 'Efficiency' can be translated as 'lowest cost per effective use', highlighting the importance of delivery reliability and speed to promote **availability** and uptake and product **innovation** – where it promotes greater acceptance and therefore uptake. Looking further down the impact chain, **quality** becomes paramount as a contributor to the effectiveness goal of 'lowest cost per desired health impact'. **Supply security** affects price and the other parameters in a dynamic way; sufficient supply relative to demand must be constantly managed to achieve efficient markets over time.

The entire equation, and the interdependencies between the five parameters, must be considered in monitoring and measuring GHI performance.

Figure 3. Mapping VFM against GHI market shaping interventions



Selected examples of GHI market impact and market-shaping interdependencies

The market for **second line TB drugs** is very small, providing little incentive for manufacturers to attain the WHO pre-qualification required to enable purchase with GHI funds. Supply security and pricing have consequently been problematic. UNITAID began working with the Global Drug Facility and other partners to increase diagnosis of multi-drug resistant (MDR) TB cases and to fund drugs to treat those cases. For the first time in a decade, new suppliers are seeking WHO pre-qualification, giving confidence that suppliers are specifically responding to the UNITAID funded signal that the donor funded market will expand.

Prices of LLINs can be influenced by factors such as order placement timing relative to production availability, and market leverage of the buyer. The major GHI purchasers have tried, with varying degrees of success, to influence these factors. However, LLIN prices are also influenced by factors which affect acceptability (e.g. colour, size, and shape), and net life. Some GHI-funded tenders have prioritised unit costs as an award criterion, while minimising criteria that would support increased acceptability (which would lead to increased use) and net longevity (which would enable less frequent distribution campaigns and therefore decrease overall costs per effective net life).

Within the **ARV market**, the sheer magnitude of Global Fund financing has had an overall catalytic effect leading to increased supplier entry and price-reducing competition, as evidenced by the number of WHO pre-qualified suppliers drawn into the market before PEPFAR and UNITAID were funding ARVs purchase. UNITAID is mandated to take a more deliberate market shaping role; in partnership with the Clinton Health Access Initiative, it has created new markets for second line ARVs and paediatric ARVs where it is the dominant funder, and where it is relatively easy to attribute resultant changes in prices, and creation of new products tailored for these markets, to its direct influence. PEPFAR's impact as a market shaper was delayed, due to the wait for the FDA tentative approval process to certify generic FDC quality and eligibility for funding. However, it has become a major funder of first line ARVs and has eventually contributed to volume growth and market maturation of the first line drugs.

GAVI is the dominant funder of **new vaccines** for developing countries and UNICEF is its procurement agent, so market impact of the two must be considered jointly. UNICEF sometimes splits awards amongst several manufacturers, some having higher prices than the lowest bidder. If 100% of the award volume is offered to the lowest price bidder, utilising 100% of its capacity and requiring it to scale up by a factor of 5 compared to current production level, this would not allow for batch failures or other contingencies and supply would not be secure. UNICEF refers to the 'vaccine security premium' which results when awards are split; in the most recent pentavalent tender, the security premium amounted to 6% of the total award for 2010-2012.

Conclusions

This study illustrates the inter-linkages between different market shaping actors and interventions and the tensions between sometimes conflicting market impact goals. These interdependencies need to be considered when donors seek to measure GHI impact on value-for-money in the health technology space. Price sometimes dominates these discussions, but price needs to be seen in relation to the other objectives driving health outcomes and also the importance of seeking dynamic as well as static improvements in health technology markets.

Acknowledgements

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