

A. GLOBAL HEALTH SUPPLY CHAIN (PROCUREMENT AND LOGISTICS)

Objective 1: Improved availability of health commodities (global procurement and logistics)

Intermediate Result 1.1: Enhanced global health commodity procurement

Indicator Name: Total actual cost savings (in USD) in key commodity procurements

Description

Precise Definition(s):

Sum of (product ordered quantity in the period * inflation-adjusted weighted average baseline price) – (product ordered quantity in the period * actual weighted average price paid in the period).

Results are primarily reported on a life-of-project cumulative basis but may be calculated per semiannual or fiscal year period as well.

Unit of Measure: USD

Disaggregated by: a) Product or product group

Purpose: This indicator illustrates the degree to which GHSC-PSM's strategic sourcing activities are achieving better prices for the key commodities that the project procures. It illustrates the total amount of savings the project has achieved for these commodities compared to baseline prices, both in the current reporting period and cumulatively over the life of the project.

Plan for Data Acquisition

Data collection method: Transactional procurement and pricing data that is captured in ARTMIS as procurements are made.

Data Source: ARTMIS

Reporting Frequency: Semiannually

Frequency/Timing of Data Acquisition: As often as order transactions flow to ARTMIS, at least daily

Estimated Cost of Data Acquisition: Minimal, data to be produced and collected by GHSC-PSM staff

Responsible Individual(s) at the Project: Indicator data is calculated and analyzed by the M&E team. The Strategic Sourcing team is responsible for setting procurement strategy and achieving best value for GHSC-PSM commodity procurements.

Data Quality Issues

Date of Initial Data Quality Assessment: N/A.

Known Data Limitations and Significance (if any):

- **Validity:** Adjusting for inflation will also cause savings to accrue within this calculation when prices remain the same, which may overstate the cost savings the project is achieving through its strategic sourcing efforts. Additionally, the Consumer Price Index (CPI) is not an ideal inflation rate for this metric. CPI is calculated by the Bureau of Labor Statistics based on a representative basket of household goods and services. Pricing for pharmaceuticals and medical commodities in the global donor market may be influenced by factors that may or may not be represented in the CPI rate. This is especially true as the United States began to see high rates of inflation beginning in 2021. Options for inflation adjustments remain limited, however, as the project currently has no other source for a relevant inflation rate that could be applied to the products it procures.
- **Reliability:** No known reliability limitations.
- **Timeliness:** No known timeliness limitations.
- **Precision:** No known precision limitations.
- **Integrity:** No known integrity limitations.

Points of Clarification (other notes)

1. Commodity cost savings will be calculated only for “key commodities” within each task order. Generally, key commodities will be high-volume products of strategic importance for the program, for which cost is a primary sourcing objective and for which GHSC-PSM is expected to have some ability to influence the price. Products may be excluded from the calculation if they do not meet these criteria, such as:
 - i. Products in volatile or low-demand markets, where GHSC-PSM has limited influence (e.g., pediatric ARVs, specialty condoms, etc.)
 - ii. Products with fixed global access prices (e.g., certain contraceptives)

- iii. Low volume/value products representing a small proportion of GHSC-PSM's procurement portfolio (e.g., non-pharma items such as gauze, pipettes, syringes, etc.)
 - iv. Products where GHSC-PSM is prioritizing non-cost sourcing objectives, such as product quality overall market health, lead time benefits, etc. (e.g., VMMC kits)
 - v. Products procured under emergency circumstances, such as COVID-19 products. (Note that this exclusion does not apply to countries' emergency orders of the project's core products).
2. While applicable commodities can vary as detailed above, there is a standard set of commodity categories that are considered. They are:
 - Task Order 1: Adult ARVs, VL/EID, VMMC, and Condoms
 - Task Order 2: AL & ASAQ, Injectable Artesunate, SPAQ, LLINs, mRDTs, and Other Malaria commodities
 - Task Order 3: Implantable Contraceptives, Injectable Contraceptives, Combined Oral Contraceptives, and Copper IUDs,
3. Unless otherwise specified, the baseline price for a product is the average cost of the product in the first period in which it was procured, weighted by the quantities procured. For most products, this period is Q1-Q2 of FY2017, but it varies depending on the product. If any product has only been procured in one period, and therefore does not have any price apart from the baseline, it will be excluded from the indicator until there is sufficient data to calculate cost savings.
4. Products must be reasonably comparable over time to allow for valid cost comparison. For example, TLD tablets are comparable over time despite changes to packaging or manufacturers, since the product itself remains the same. However, if the contents of a VMMC kit change over time, these cannot be considered comparable items. In the cases of product transitions over time, items may be grouped together into the same category for cost comparison if they are deemed to be comparable (e.g., LLIN SKU rationalization; three-year and 5-year implantable contraceptives; TLD in 30-tablet, 90-tablet, and 180-tablet bottles; grouping of syringe and burn box costs with procurements of vials-only DMPA-IM). Non-comparable products will continue to be assessed separately. Cost savings are grouped by health area when reported after individual product cost savings have been calculated.
5. Relevant procurements for this indicator are purchases made directly from vendors, either to ship directly to countries (Purchase Orders) or to restock the regional distribution centers (Replenishment Orders). Distribution Orders are not included. Products are considered procured as of their PO Released for Fulfillment date.
6. Items procured under C and D vendor Incoterms are excluded from this metric. Under C and D terms, suppliers are responsible for some or all logistics costs for delivering the item, which may be built into the unit cost of the item. As the cost of the commodity alone cannot be isolated within that price, these procurements are excluded.
7. Orders procured through vendor stored inventory (VSI), vendor managed inventory (VMI) or vendor managed services (VMS) agreements are excluded from this metric. Under these arrangements, vendors' storage and/or management costs are included in the unit price, so the cost of commodity alone cannot be isolated.
8. The rate of inflation used for this calculation is the Consumer Price Index from the U.S. Bureau of Labor Statistics, available at <https://data.bls.gov/timeseries/CUUR0000SA0>. Inflation timeframes will be based on the first month of each semiannual period. For example, to find the rate of inflation from FY2017 period 1 to FY2020 period 2, the project will use the rate of inflation from October 2016 to April 2020.
9. Donations or replacement orders with \$0 line total cost are excluded from this metric.
10. **Variation for commodities under global laboratory agreement:** Beginning in FY2020 Q2, the project includes cost savings for laboratory products included in our global agreements with lab vendors. GHSC-PSM's lab specialists within the Strategic Sourcing team have developed a methodology for calculating a "price per test" for procurements under these contracts, which considers lab reagents, consumables, services, and country-specific pricing for each. The price-per-test methodology is used to calculate both pre-global agreement price baselines and current procurement pricing. Cost savings are still determined by taking the difference between current prices and baseline prices, but the relevant pricing is based on these calculated per-test prices, rather than unit prices as listed for each product. Procurement quantities are calculated based on the number of tests that can be conducted from orders of key VL and EID reagent products with Estimated Goods Availability Dates during the reporting period. Only orders procured through GHSC-PSM are included in this reporting; orders from country MOH's that utilize these mechanisms without going through GHSC-PSM are excluded from totals reported in GHSC-PSM semiannual reporting of this data.
11. As with any product procurement, cost is only one dimension of value. This indicator should be analyzed in context with other performance indicators, such as on-time delivery, cycle time, product quality, and supplier performance. GHSC-PSM balances these and other market factors in its strategic sourcing approaches, to achieve not only the best prices but the best value for patients and the U.S. government.