

Financing Options for Antiretroviral Procurement

HFG Vietnam

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Financing for ARVs through SHI

Option 1	Option 2	Option 3
Centralized procurement of ARV conducted by MOH	ARV price and quantity agreement negotiated by MOH and agreed by an Authorized Purchasing Agent (APA)	ARV Framework price and quantity agreement negotiated by MOH
Direct payment from VSS to Suppliers	APA pays directly to suppliers, APA distributes ARVs to facilities and Health facilities pay APA according to terms of contract	Facilities pay directly to suppliers
Likely needs more time to advocate with VSS and GVN. Cash advances from VSS require changes in regulations.	<p>Need State Owned Enterprise interested in business case;</p> <p>Requires inclusion of fee in final price (but likely to obtain better product price due to quantity.</p> <p>Need the consensus from VSS to have technically agreed solution but solution viable for other drugs, not only ARVs.</p>	Follows the current regulations however will have challenges and affect the continuum of ARV supply for PLHIV due to the high number of transactions and very low volumes in a number of facilities



OPTION 1

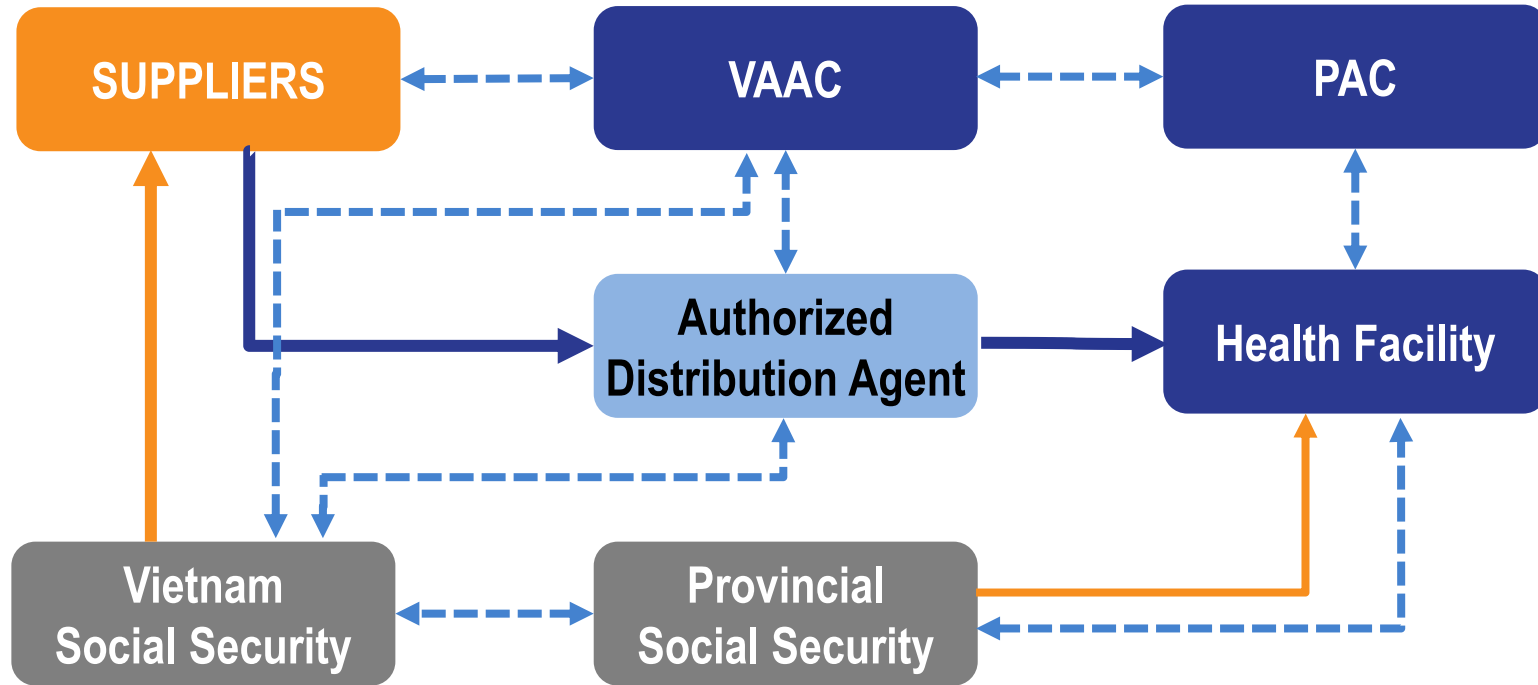




Option 1

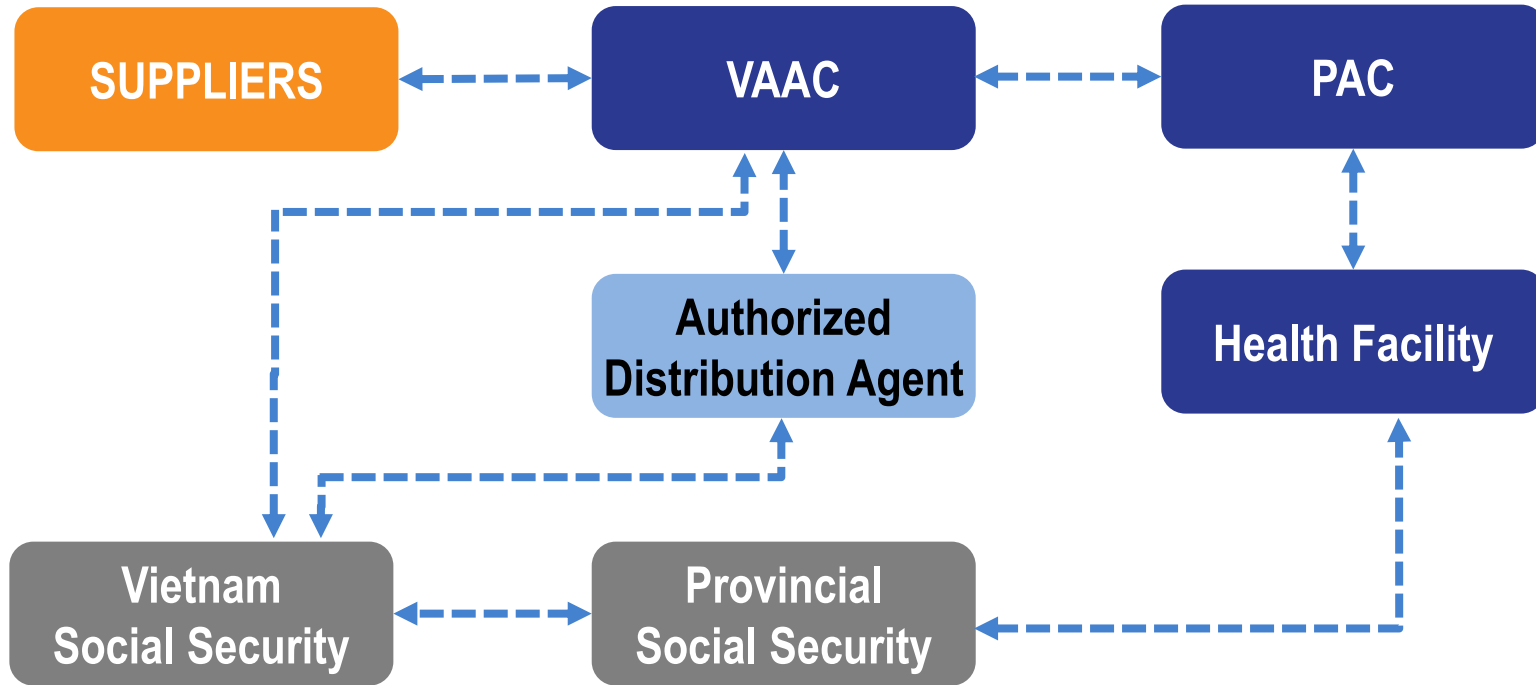
1. Centralized procurement by VAAC
2. Direct payment to suppliers by VSS

Option 1



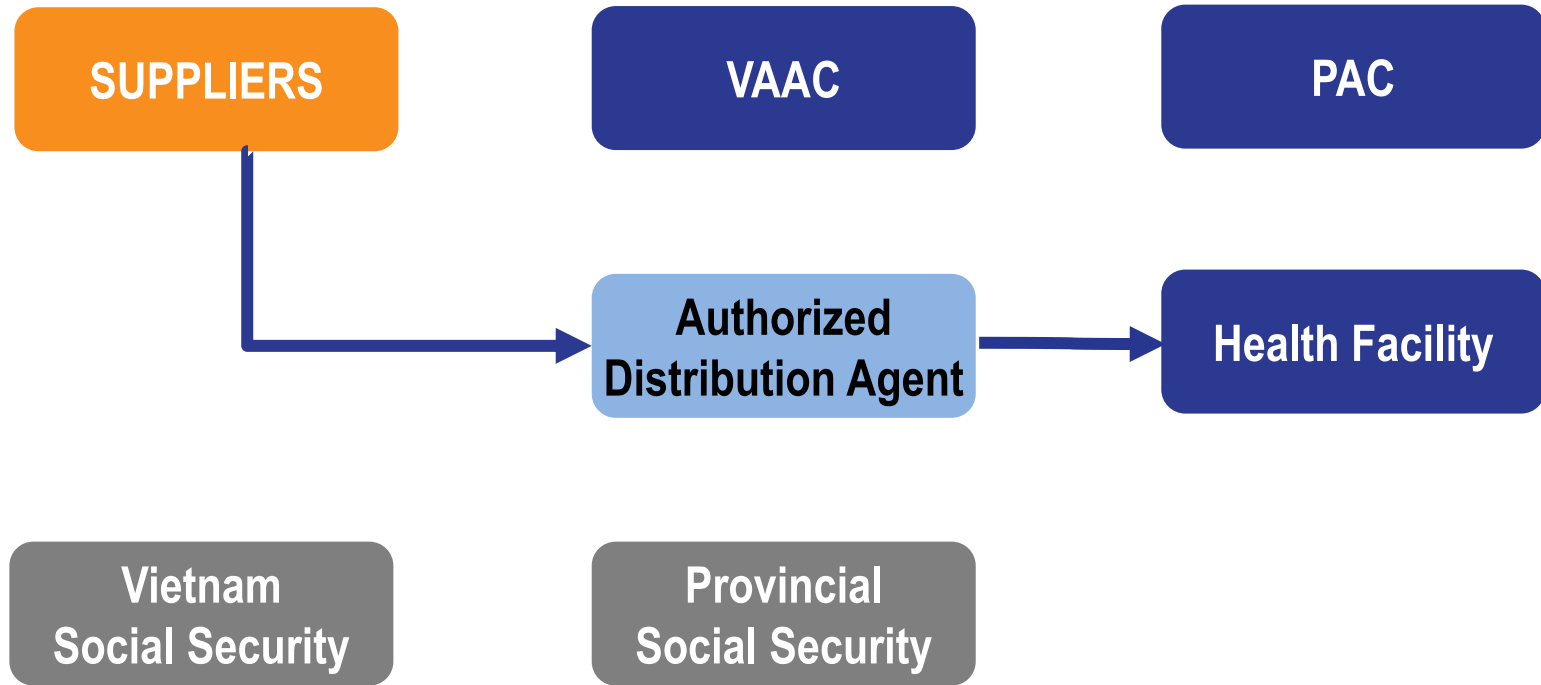
1. VAAC conducts the bidding and selection procedure. Communicates results to ADA & VSS.
2. VSS advances funds to suppliers according to terms of contracts.
3. Suppliers deliver commodities according to contract terms.
4. ADA confirms receipt of commodities to VAAC and VSS for final payment.
5. VSS completes payment according to terms.
6. ADA distributes to facilities.
7. PAC reports up to VAAC quantification and usage data.
8. Health facilities submit claims to PSS.
9. PSS validates and forwards claims to VSS.
10. PSS (under VSS coordination) reimburses health facilities all except ARVs.

The Information Flow



1. VAAC conducts the bidding and selection procedure. Communicates results to ADA & VSS.
4. ADA confirms receipt of commodities to VAAC and VSS for final payment.
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8. Health facilities submit claims to PSS.
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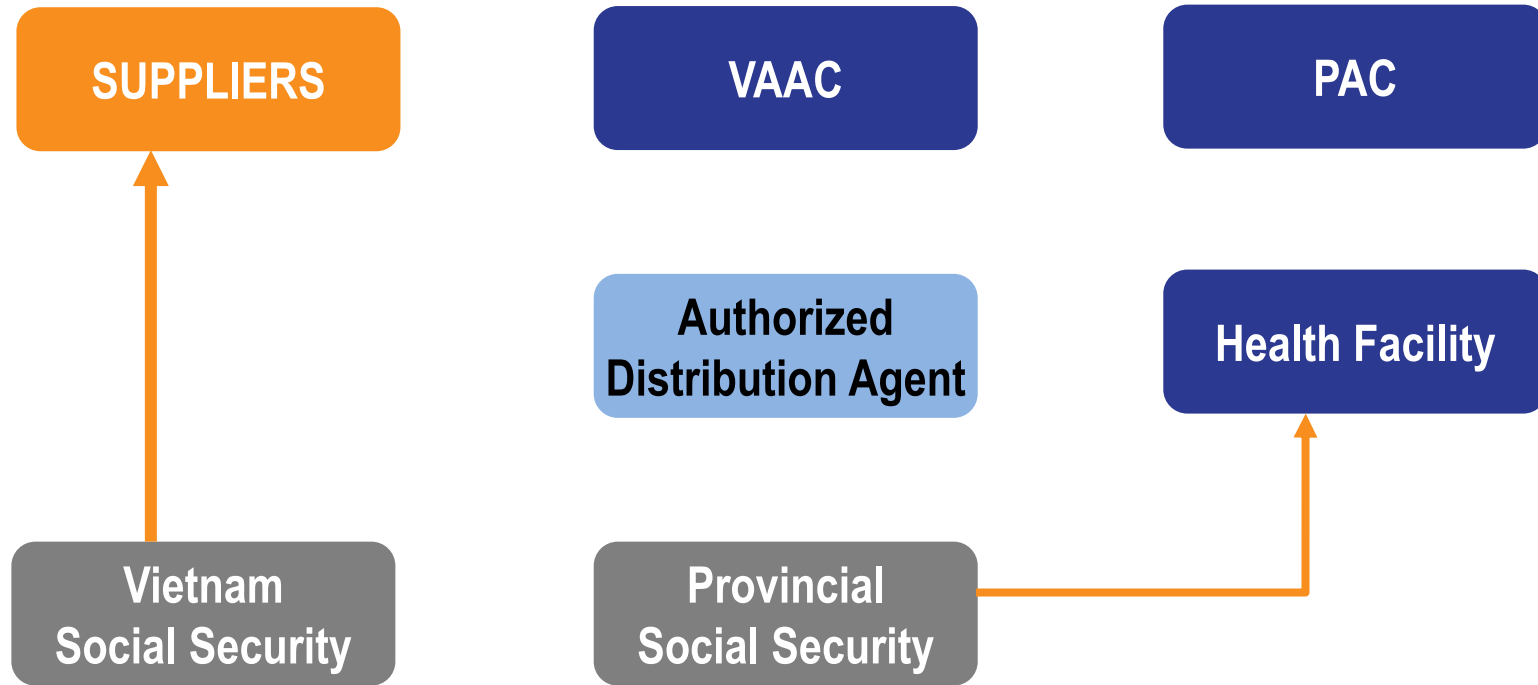
The PSM Flow



3. Suppliers deliver commodities according to contract terms.

6. ADA distributes to facilities.

The Financial Flow



- 2. VSS advances funds to suppliers according to terms of contracts.
- 5. VSS completes payment according to terms.
- 10. PSS (under VSS coordination) reimburses health facilities all except ARVs.



Option 1 - Advantages

- ▶▶ Suitable with the current ARV supply chain when there are multiple funding sources from GVN and international funding
- ▶▶ Linear and effective in the coordination of drug distribution and to ensure the continuum of supply chain for PLHIV
- ▶▶ Ensure ability to control and ensure drug quality



Option 1 – Challenges

- ▶▶ It has not been regulated in the current legal documents
- ▶▶ Might take a long time, if Option deemed viable



OPTION 2

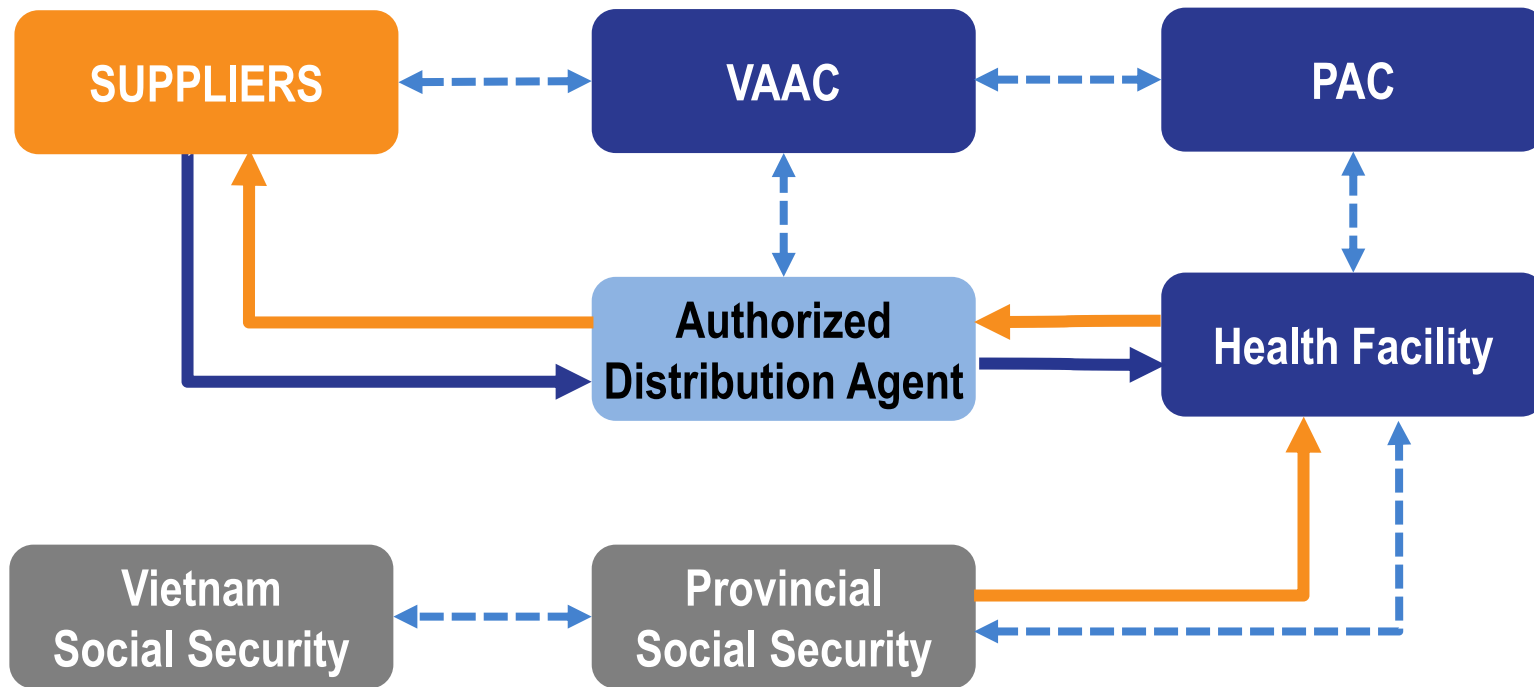




Option 2

1. ARV price and quantity agreement negotiated by MOH and agreed by an Authorized Purchasing Agent
2. Contracting authority by Authorized Purchasing Agent
3. Direct payment to suppliers by Authorized Purchasing Agent

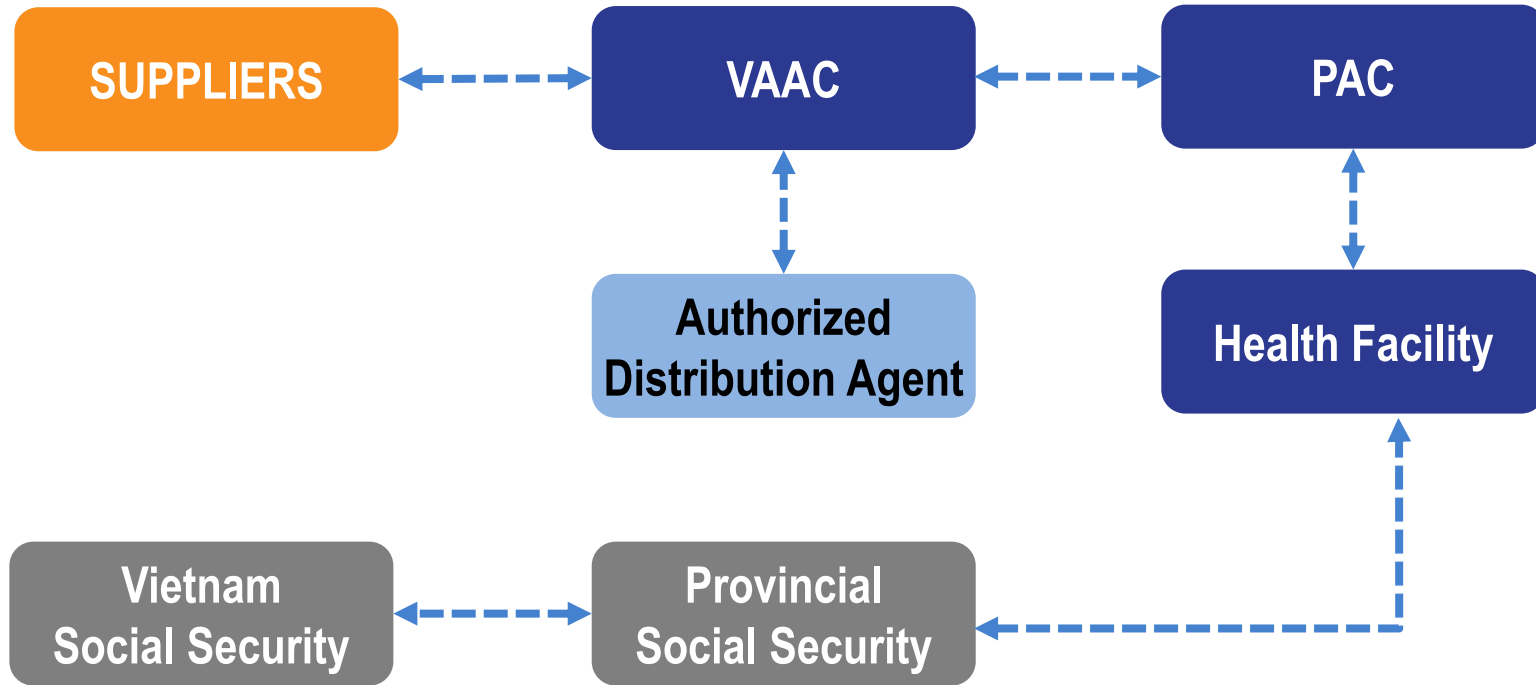
Option 2



1. VAAC conducts the bidding and selection procedure. Communicates results to APA.
2. APA advances funds to suppliers according to terms of contracts.
3. Suppliers deliver commodities according to contract terms.
4. APA confirms receipt of commodities to VAAC.
5. APA completes payment according to terms.
6. APA distributes to facilities.
7. Health facilities pay APA according to terms of contract.
8. Health Facilities submit insurance claims to PSS – Copy PAC for HIV quantification data – PAC reports up to VAAC.
9. PSS validates and forwards claims to VSS.
10. PSS (under VSS coordination) reimburses health facilities according to existing mechanism.

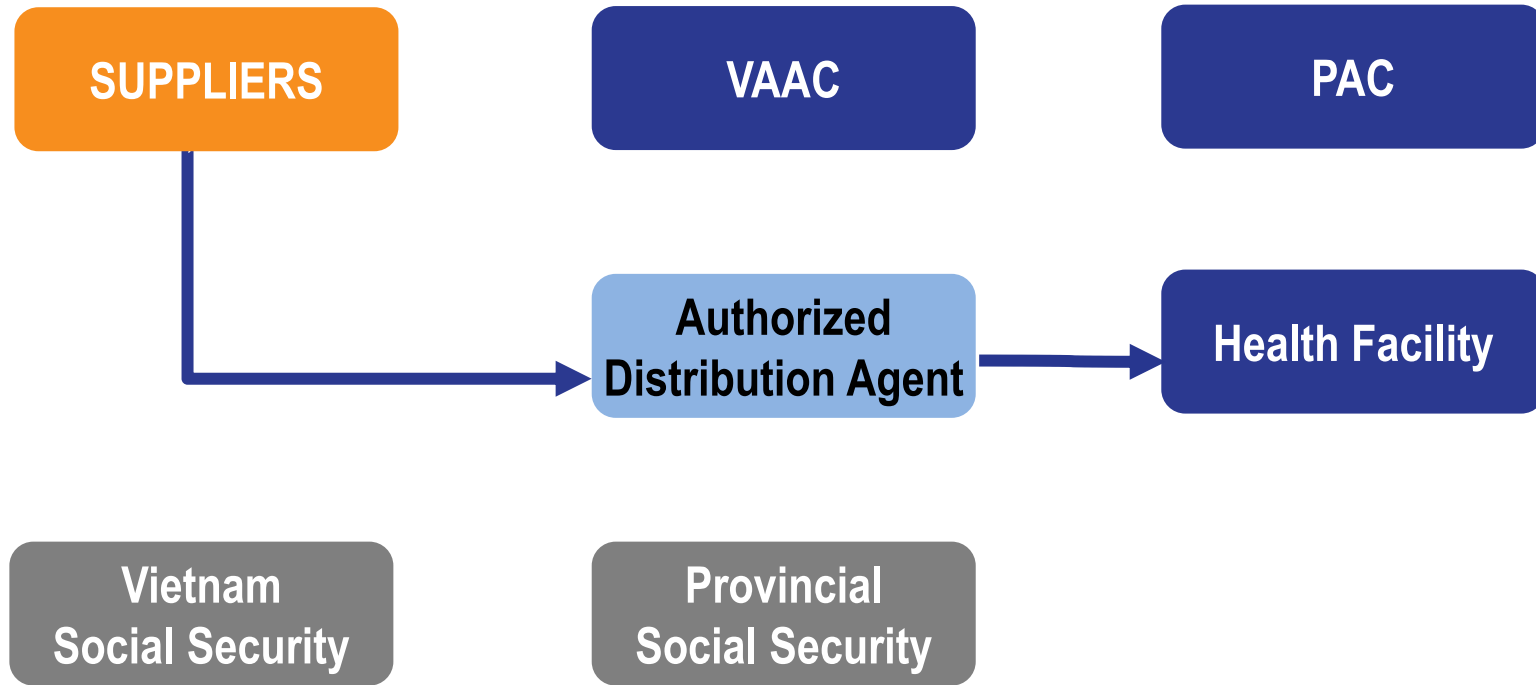
*APA covers Financing and Distribution Functions

The Information Flow



1. VAAC conducts the bidding and selection procedure. Communicates results to APA.
4. APA confirms receipt of commodities to VAAC.
8. Health Facilities submit insurance claims to PSS – Copy PAC for HIV quantification data – PAC reports up to VAAC.
9. PSS validates and forwards claims to VSS.

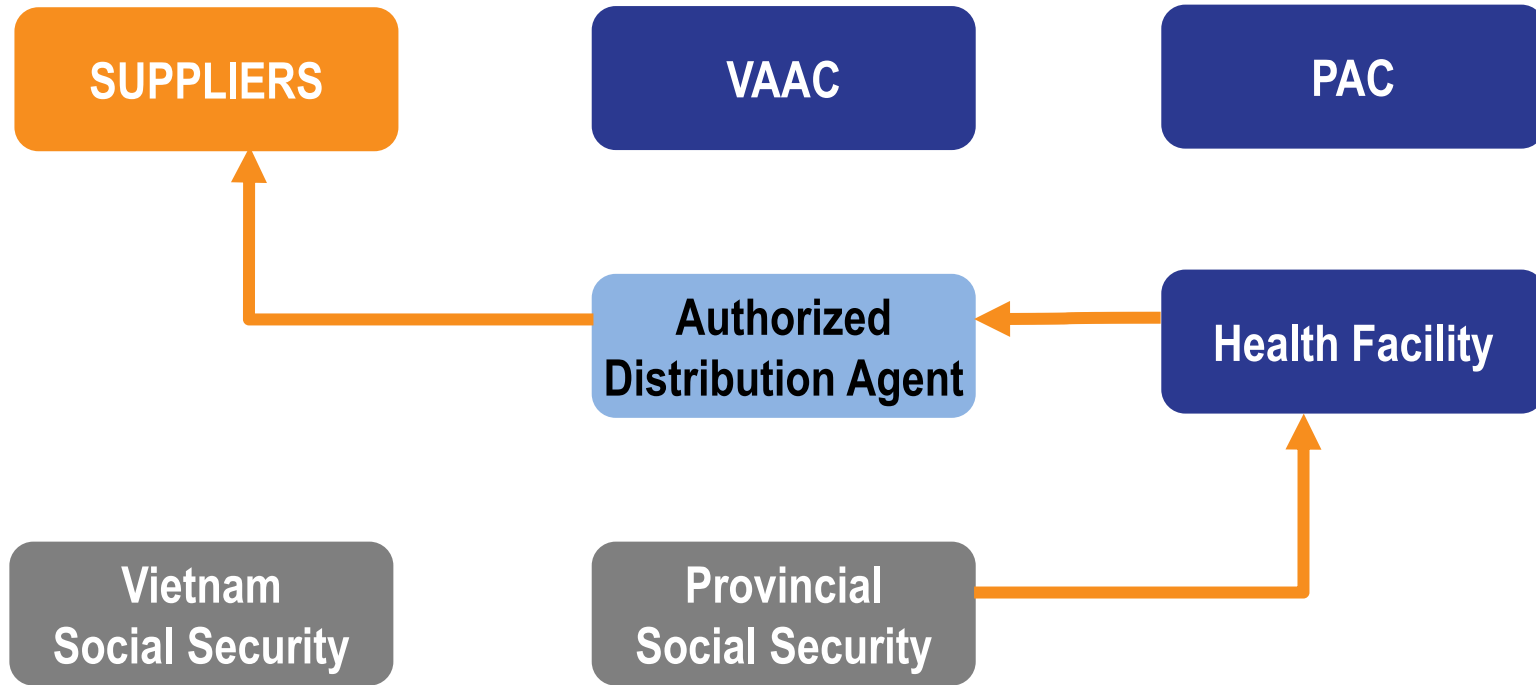
The PSM Flow



3. Suppliers deliver commodities according to contract terms.

6. APA distributes to facilities.

The Financial Flow



- 2. APA advances funds to suppliers according to terms of contracts.
- 5. APA completes payment according to terms.
- 7. Health facilities pay APA according to terms of contract.
- 10. PSS (under VSS coordination) reimburses health facilities according to existing mechanism.

*APA covers Financing and Distribution Functions



Option 2 - Advantages

- ▶▶ Simplified administration and required procedures from HIV treatment facilities
- ▶▶ Ensured commitment of continuous drug supply when APA collect money for ARV from facilities. Avoids the situation of issuing payments to many agencies
- ▶▶ Lower original unit price due to higher quantity and better market position



Option 2 – Challenges

- ▶▶ Need consensus from VSS (final price impact)
- ▶▶ The price of drug might be higher due to the need for capital to be advanced by APA
- ▶▶ Not yet regulated in the current law/legal documents



OPTION 3

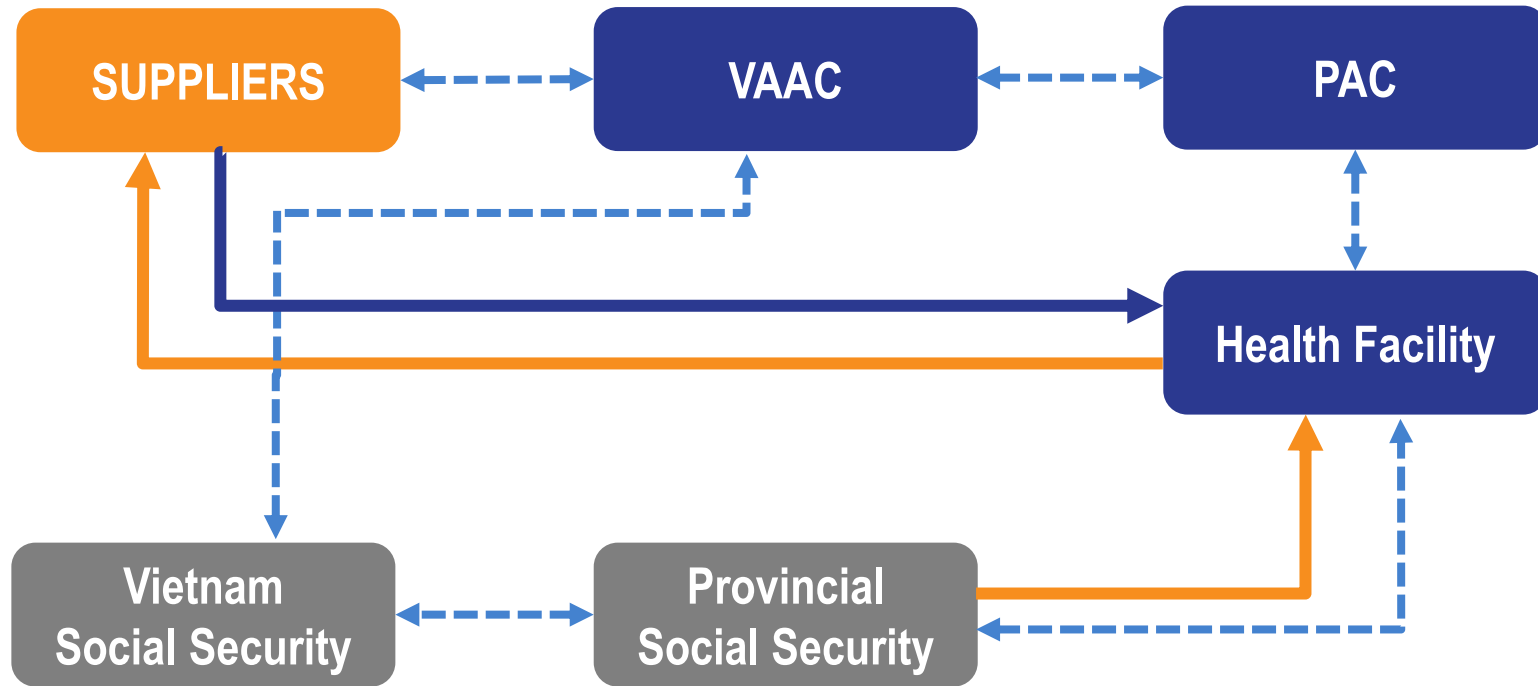




Option 3

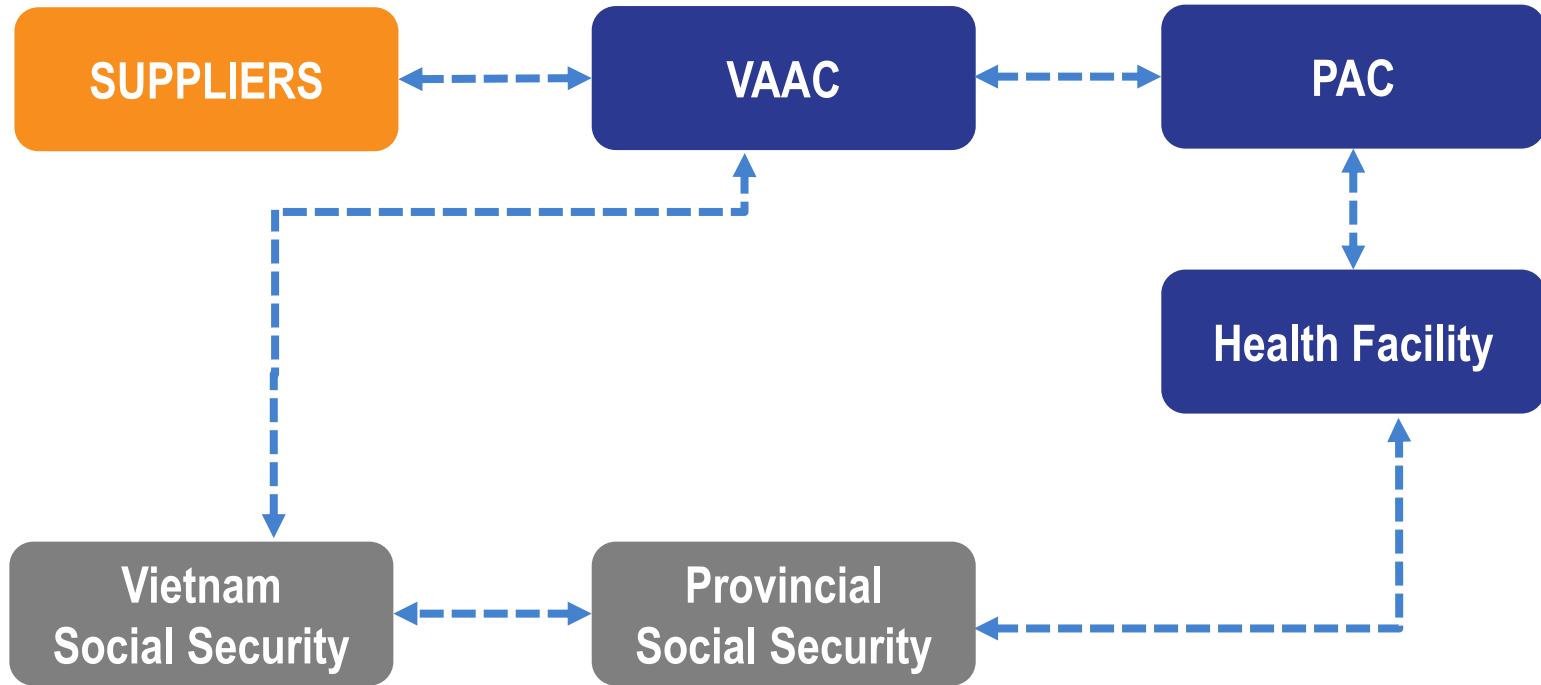
1. Decentralized procurement by hospitals
2. VAAC negotiates and agrees framework contracts with suppliers
3. Hospitals pay directly to suppliers

Option 3



1. VAAC conducts the bidding and selection procedure. Negotiates framework agreements with Suppliers.
2. Suppliers deliver commodities to facilities according to contract terms.
3. Health Facilities individually pay the suppliers according to negotiated terms.
4. PAC reports up to VAAC quantification and usage data.
5. Health facilities submit claims to PSS.
6. PSS validates and forwards claims to VSS.
7. PSS (under VSS coordination) reimburses health facilities according to existing mechanism.

The Information Flow



1. VAAC conducts the bidding and selection procedure. Negotiates framework agreements with Suppliers.
4. PAC reports up to VAAC quantification and usage data.
5. Health facilities submit claims to PSS.
6. PSS validates and forwards claims to VSS.

The PSM Flow

SUPPLIERS

VAAC

PAC

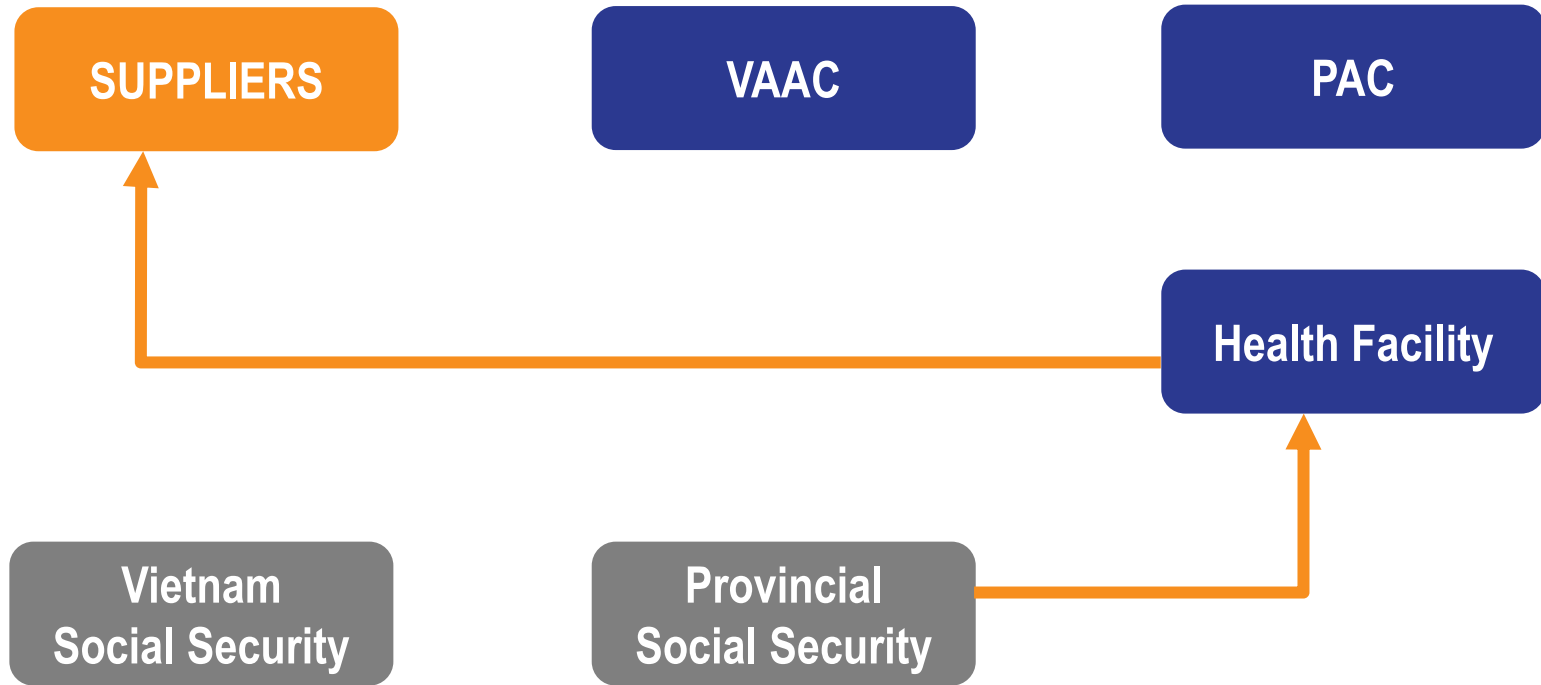
Health Facility

Vietnam
Social Security

Provincial
Social Security

2. Suppliers deliver commodities to facilities according to contract terms.

The Financial Flow



3. Health Facilities individually pay the suppliers according to negotiated terms.

7. PSS (under VSS coordination) reimburses health facilities according to existing mechanism.



Option 3 - Advantage

- ▶▶ Follows the current regulations on procurement/bidding law and reimbursement for SHI health facilities (Article 32- SHI Law). Need to develop the legal basis for framework contracts after having the bidding results



Option 3 - Challenges (1)

- ▶▶ There is no strict regulation to require HIV treatment facilities to sign the contract of procuring ARV for PLHIV as in the current mechanism, purchasing medicines is under the autonomy of the treatment facility. Health facilities are responsible to purchase drugs in advance and claim with VSS/PSS later after few months to one year. As a result, it is uncertain about timely drug supply and synchronization between the treatment facilities. Suppliers might not agree to terms



Option 3 - Challenges (2)

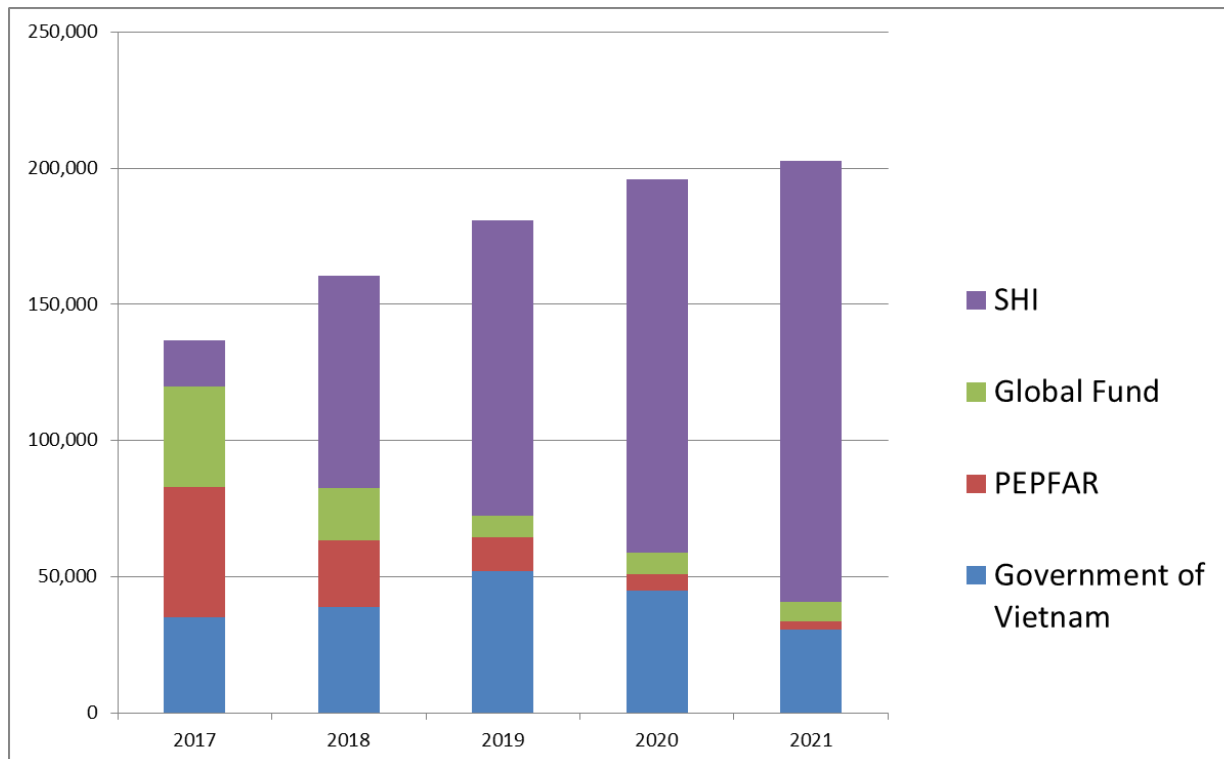
- ▶▶ The delay of payment from VSS/PSS to facilities and from facilities to suppliers from 6 months will affect the progress of ARV distribution. The supplier might refuse to sign contract with HIV facilities with few patients and in remote area
- ▶▶ Difficult to control the drug quality
- ▶▶ Need sanctions on framework agreement to regulate detailed terms
- ▶▶ Increase in the usage of service medicines
- ▶▶ VAAC cannot control the quality of drugs purchased from different sources



PROJECTIONS

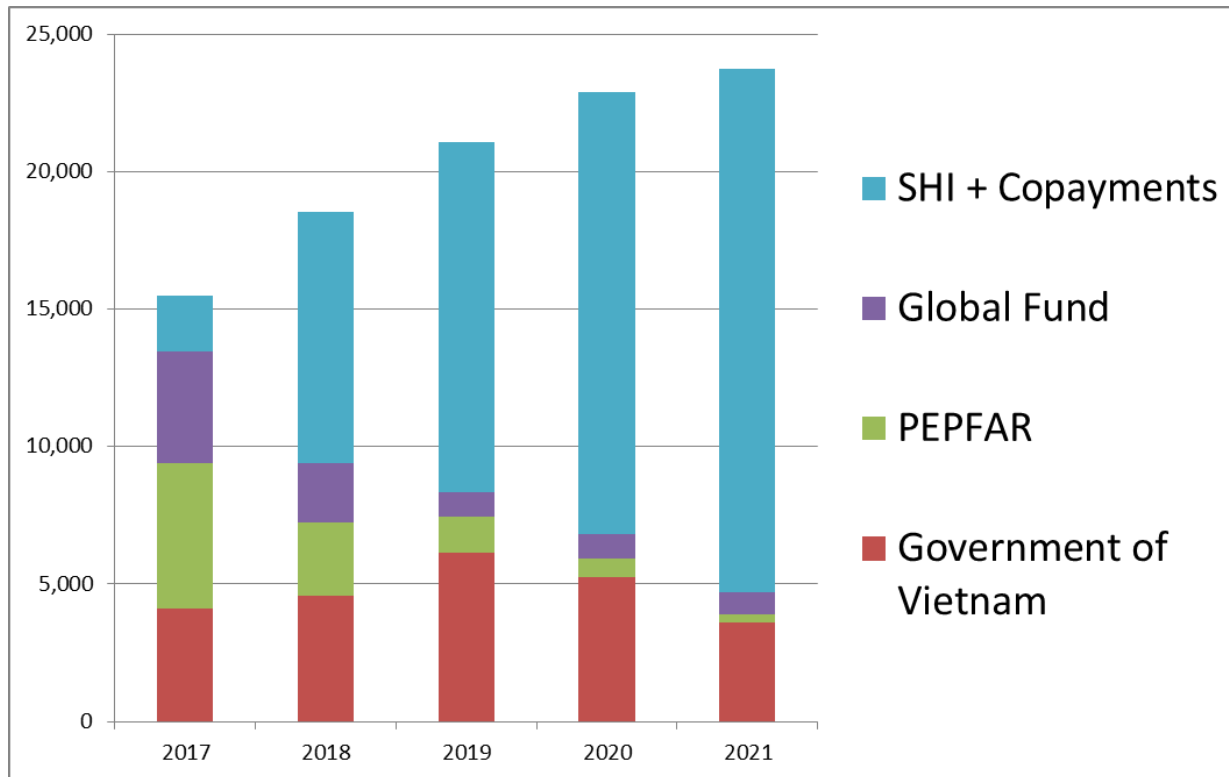


Projected Transition to SHI (2017 – 2021)



Year	2017	2018	2019	2020	2021
Government of Vietnam	35,025	38,917	52,217	44,712	30,534
PEPFAR	47,871	24,294	12,147	6,073	3,037
Global Fund	36,991	19,435	8,000	8,000	7,000
Percentage of patients carrying SHI card	40%	50%	60%	70%	80%
Percentage of patients ONLY funded via SHI	12%	49%	60%	70%	80%
SHI	16,973	77,957	108,546	137,167	162,284
Total number supported	136,860	160,602	180,909	195,953	202,854

Projected Financing Breakdown for First Line ARVs



Year	2017	2018	2019	2020	2021
Amount paid (USD '000)					
Government of Vietnam	4,111	4,567	6,128	5,247	3,583
PEPFAR	5,285	2,682	1,341	671	335
Global Fund	4,084	2,146	883	883	773
SHI + Copayments	1,992	9,149	12,739	16,098	19,046
Total paid	15,471	18,544	21,091	22,899	23,737

Thank you

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