

USE OF A PRIVATE SECTOR CO-PAYMENT MECHANISM TO IMPROVE ACCESS TO ACTs IN THE NEW FUNDING MODEL

INFORMATION NOTE

Introduction

In November 2012, the Global Fund Board decided to “integrate the lessons learned from the operations and resourcing of Phase 1 of the AMFm (Affordable Medicines Facility-malaria) into Global Fund grant management and financial processes” following a transition period in 2013 for AMFm pilot countries. AMFm Phase 1 was a US\$ 500 million test-of-concept of a new financing model to expand access to artemisinin-based combination therapies (ACTs) that was hosted by the Global Fund on behalf of the global malaria community. By simply providing a factory-gate co-payment, alongside centralized negotiations with manufacturers and key supporting interventions at the country level, the Independent Evaluation of AMFm Phase 1 found that the private sector supply chain can swiftly and effectively decrease retail prices and increase availability of quality-assured ACTs for those who need them.

Based on the lessons learned from AMFm Phase 1, the Global Fund Secretariat is currently developing and putting in place systems so countries can utilize core Global Fund grants to work with the private for-profit sector through a Co-payment Mechanism for ACTs and, potentially, malaria rapid diagnostic tests (RDTs). Following this integration, Global Fund Principal Recipients will be able to use grant resources to harness the dynamism of the private sector to achieve the Roll Back Malaria Partnership’s and Global Fund Strategy 2012-2016 targets.

What is the Private Sector Co-payment Mechanism?

The objective of the Private Sector Co-payment Mechanism is to reduce malaria mortality and delay the development of resistance to artemisinin by increasing availability, affordability, market share and use of quality-assured ACTs. This Mechanism will enable countries to increase the supply of affordable quality-assured ACTs through extensive use of the private for-profit sector. The Private Sector Co-payment Mechanism is based on the model developed and piloted during AMFm Phase 1.

The Private Sector Co-payment Mechanism is a package that puts the market to work for universal access to an essential health technology. The three elements of the Private Sector Co-payment Mechanism are:

1. **Price negotiations:** Regular negotiations by the Global Fund Secretariat at the global level with pharmaceutical manufacturers to reduce ex-factory prices of quality-assured ACTs for private sector buyers.
2. **Factory-gate co-payment:** Further reductions of the price paid by first-line buyers (importers) through a subsidy (“co-payment”) paid on their behalf directly to manufacturers by the Secretariat using country grant funds.

- 3. Supporting interventions:** Supporting interventions are country-level activities implemented by the Principal Recipient to facilitate the safe and effective scale-up of access to ACTs.

Why is the Private Sector Co-payment Mechanism needed?

Although the World Health Organization has recommended ACTs as first-line treatment for uncomplicated *P. falciparum* malaria since April 2001, before AMFm Phase 1, ACTs only accounted for one in five antimalarial treatments taken and were provided almost entirely by the public sector. This is in spite of the fact that over 60 percent of patients access antimalarial treatment through the private sector.¹ Quality-assured ACTs were not more widely used in the private sector because they were more expensive (between US\$ 4 – US \$13 per treatment) than increasingly failing first-line treatments (such as chloroquine and sulfadoxine-pyrimethamine), ACTs of unknown quality, or artemisinin monotherapies. Each of these has consequences in terms of avoidable complication or death and increased risk of widespread resistance to artemisinin. This mismatch between country realities and the traditional channels through which ACTs financed by development agencies were routed, prompted an exploration of a new approach to expand access to ACTs through the AMFm.

The [AMFm Phase 1 Independent Evaluation](#) showed that the combination of price negotiations, a factory-gate subsidy, and large-scale mass communications led to rapid and large changes in price, availability, and market share of quality-assured ACTs, without evidence of excessive mark-ups and in many cases virtually eliminating urban/rural differences in ACT availability and market share. AMFm was described by the AMFm Phase 1 Independent Evaluation as a “game changer” for the private for-profit sector in 6 out of the 8 pilots, noting that it is an important source of antimalarial treatment for many people, including the most vulnerable and remote from public sector healthcare facilities.

How can countries include a Private Sector Co-payment Mechanism in their approved Global Fund grants?

The Private Sector Co-payment Mechanism is an important tool to increase access to ACTs and should be considered as part of the comprehensive package of interventions to fight malaria.

Based on the lessons learned from AMFm Phase 1, the Secretariat is currently operationalizing a system to allow Principal Recipients to allocate Global Fund grant funding to work with the private for-profit sector through a co-payment mechanism for malaria interventions, if this is in line with their needs and plans and remains in accordance with current normative guidance. Under this integrated model, the Secretariat will continue to centrally negotiate prices and process co-payments on behalf of Principal Recipients. Pending finalization of this policy, specific guidance will be provided on the supporting interventions and related activities which should be bundled with country funding allocations to the co-payment mechanism.

It is important to note that the Private Sector Co-payment Mechanism will be part of approved Global Fund grants, and country allocations to this mechanism will be evaluated in the context of a country’s overall funding request. Although the co-payment mechanism will be administered by the Secretariat, countries will be responsible for setting the parameters for the use of allocated funding. There will not be a separate co-payment fund with contributions from external donors. The funding for co-payments will come from allocated grant resources.

¹ AMFm Task Force of the Roll Back Malaria Partnership. Affordable Medicines Facility – malaria (AMFm). Technical Design. November 2007.

Key considerations for allocating Global Fund grant resources to the Private Sector Co-payment Mechanism

What health products can be used for co-payment?

Per the Global Fund Board's decision, currently the co-payment system can be used for quality-assured ACTs only. Pending a feasibility study by technical partners, countries may in the future also be able to allocate funding for malaria diagnostic testing.

Can the co-payment mechanism be accessed by the public sector?

The AMFm Phase 1 Independent Evaluation found that the AMFm model led to fewer fundamental changes in the supply of quality-assured ACTs in the public sector. Therefore, as per the Global Fund Board's decision, the co-payment mechanism is limited to private for-profit and private not-for-profit first-line buyers. The public sector will continue accessing ACTs through traditional procurement channels.

I'm already engaging the private sector through my Global Fund grant. What is the added value of allocating resources to the co-payment mechanism?

The AMFm Phase 1 Independent Evaluation found that co-paid ACTs were rapidly and widely distributed through pre-existing distribution channels by multiple private sector first-line buyers. Through the co-payment mechanism, all direct costs of this in-country distribution and storage are borne by the private sector, not by the grant. Further, the total cost of each ACT treatment is shared between the grant and the first-line buyer. The AMFm Phase 1 Independent Evaluation found that private distribution systems worked well to reduce or eliminate urban-rural gaps in availability and market share of quality-assured ACTs, including in remote areas.

During AMFm Phase 1, the central administration of the subsidy by the Global Fund Secretariat worked very smoothly; this will be maintained under the integrated model. Once first-line buyers and manufacturers were approved, the process of placing an order, getting the co-payment approved, and then shipping the drugs happened very quickly, with minimal bureaucracy and allowing the process to be demand-led. This is in contrast to approaches where drugs for the private sector are procured through public sector systems and subject to delays and competitive tender procedures. It allows the system to be quite nimble, responsive, and efficient.

Which countries should consider allocating funding for the Private Sector Co-payment Mechanism?

The Global Fund encourages the use of robust, fully costed and prioritized national strategic plans that are developed through inclusive and multi-stakeholder efforts as the basis of a funding request. The co-payment mechanism will be most effective where there is political support and the private sector is integrated into national efforts to control malaria.

Some key considerations for countries considering allocating Global Fund grant funding to the co-payment mechanism include:

- **Role of the private sector:** The approach may make sense where there is high private sector distribution of malaria treatment preferably with community deployment or sale as over-the-counter medicines; this should be coupled with efforts to scale-up access to basic primary health services in all sectors. During AMFm Phase 1, the mechanism was most effective when there were multiple actors in the private sector and the provider market was not dominated by highly informal outlets operating outside of regulated distribution channels.
- **Country-level implementation, oversight, and management of the Co-payment Mechanism, including supporting interventions:** The Principal Recipient nominated by the country to implement the Private Sector Co-payment Mechanism should have the

capacity to put in place the necessary implementation, oversight, monitoring & evaluation systems and the communication, training, and social awareness campaigns, and the Principal Recipient's capacity to do so will be part of the Global Fund's review of the proposed program. In settings where private sector providers already submit patient-level data for incorporation into public health reporting systems, it is expected these would be maintained and supported. However, in settings where private providers do not report out on patient-level data, Principal Recipients will not be expected to include this data in indicators to be reported to the Global Fund; instead, other feasible and appropriate indicators for monitoring progress will be included.

How much funding needs to be allocated to the co-payment mechanism?

Accurately quantifying the private sector ACT demand remains a challenge. In absence of robust data at the country level, private sector ACT demand estimates will be based on the analysis and global forecasts produced by technical partners. The Global Fund will maintain a database of these forecasts to support countries and inform the malaria investment framework. The Global Fund will develop standard guidance to support PRs in completing their co-payment plans.

It is important that the overall funding allocated for private sector co-payment from Global Fund grants is proportional to the demand. During AMFm Phase 1, the demand for ACT co-payment from first-line buyers was greater than the available resources. It was a challenge to maintain high availability and low prices at the retail level with a reduced supply of ACTs.

Countries will be able to set the co-payment amounts and the parameters for prioritizing co-payment approvals (e.g., pack size, first-line buyers) consistent with national malaria case management priorities in order to influence ACT supply and ensure that the allocated funding lasts for the duration of the grant.

What supporting interventions should be included?

During AMFm Phase 1, achievement of the success benchmarks was correlated with longer implementation of the full AMFm model, including sustained implementation of supporting interventions. In particular, the AMFm Phase 1 Independent Evaluation found that mass communication campaigns, particularly around the ACTm registered logo and a recommended retail price, and private sector provider trainings were important in keeping retail prices low. These activities maximize the impact of the subsidy, and it is recommended that they be bundled with grant allocations to the co-payment mechanism.

Several AMFm Phase 1 countries experienced gaps between the arrival of co-paid ACTs and the launch of supporting interventions. Planning for communications activities needs to start well before the first-line buyers start placing orders, in order to ensure that the timing of this supporting intervention corresponds to the arrival in country of subsidized drugs. Mass communications need to be maintained over time and ensure that key messages include the importance of using ACTs because they are the recommended antimalarial.

The AMFm Phase 1 Independent Evaluation documented very low levels of malaria diagnostic testing in the private sector. Principal Recipients should implement activities to support efforts of national authorities to increase access to basic primary health services, including through private sector actors to address this, while recognizing the need to ensure access to quality-assured ACTs in the private sector while access to diagnostic testing is being scaled up.

Principal Recipients should also budget for activities to monitor results and assess grant risks that are appropriate for the private sector and do not limit its capacity to rapidly and widely distribute quality-assured ACTs.

What country-level structures or policies need to be in place to facilitate implementation of the co-payment mechanism?

- **Policy/regulatory environment:** During AMFm Phase 1, certain decisions taken at the policy level created an environment that enables the AMFm to function. Some examples include banning sales and importation of artemisinin monotherapies, supporting over-the-counter status of ACTs, enabling procurement and distribution at lower levels, establishing a suggested retail price, waiving import duties, and facilitating policies related to drug marketing. The AMFm Phase 1 Independent Evaluation noted this “supportive and conducive environment” in the countries which achieved the Phase 1 success benchmarks. A common factor in countries that did not meet the success benchmarks was the absence of these supportive policies and regulations. Further, the Independent Evaluator found that a ready supply of low-cost, quality-assured ACTs can help to crowd out artemisinin monotherapies. But there is also a role for regulation to complement this – and particularly, for greater enforcement of existing regulations both at the top levels of the supply chain, and in some settings, at the peripheral level.
- **Country-level Co-payment Task Force:** The AMFm Independent Evaluation noted that a strong local governance structure with the involvement of the private sector was key to achieving the AMFm Phase 1 success benchmarks. Many AMFm Phase 1 stakeholders cited the public-private partnership opportunity created by AMFm as one of the major benefits of the initiative. In several AMFm Phase 1 countries, there was not a long history of collaboration between the public and private sectors.

Where can I get more information?

For more information, please visit the [AMFm website](#) or contact amfmconsult@theglobafund.org.