

Pooled Purchasing for Vaccines, Medicines & Other Health Technologies

Issues and Opportunities for Research

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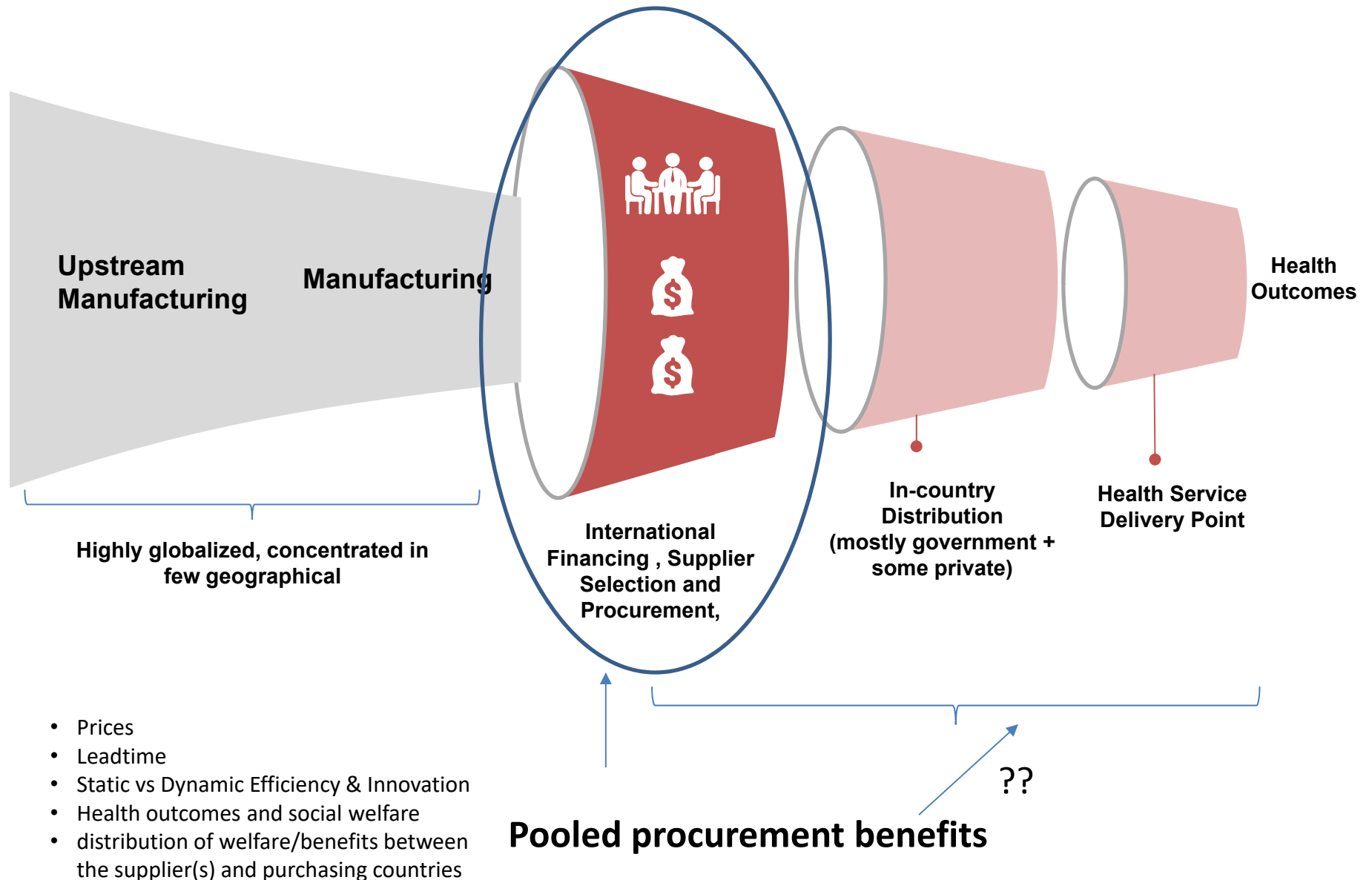
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Healthcare supply chains in LMICs: high level overview

locus of procurement is a heavily debated topic in healthcare supply chains in LMICs

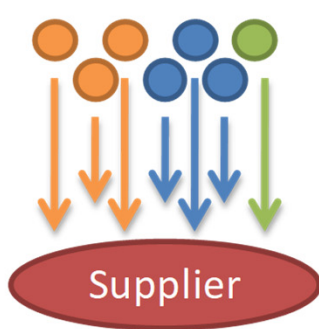


2 main types of procurement pools

- **Geographic proximity-based pools**
 - geographical proximity within the pool
 - high income heterogeneity within the pool
 - Politico-economics more feasible
- **Income proximity-based pools**
 - lack of geographical proximity within the pool
 - Income homogeneity within the pool
 - Politico-economics less feasible

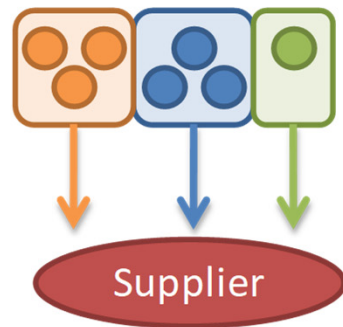
Pooled procurement archetypes and differential pricing

Value based differential pricing improves aggregate welfare (Chalkidou et al 2020).
Depends on whether differential pricing increases volume (sales)
Do procurement pools allow differential pricing?



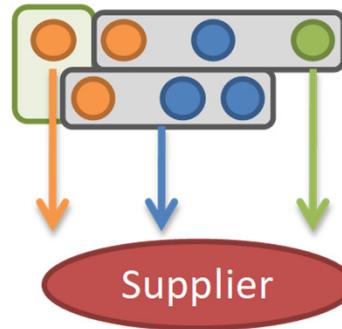
**Independent
Perfect Price
Discrimination**

Each buyer
purchasing
independently



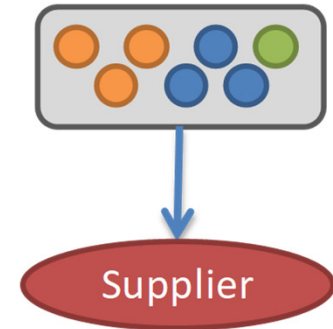
**Joint
Homogeneous
Income**

Identical buyers
purchasing
together



**Joint
Heterogeneous
Income**

Different buyers
purchasing
together



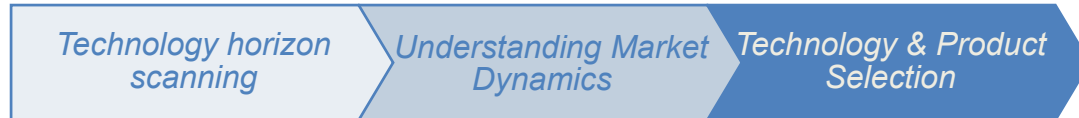
**Independent
Single Price**

All buyers
offered the same
price

Source: Privett and Yadav 2012 (WP)

The continuum of health product procurement. Where does pooling benefit the most?

Reducing Information Risk through Pooling



Reducing Transaction Costs through Pooling



Which of the above benefits are most significant depends on pace of innovation in the therapeutic area /“clock speed”, current market structure (buy side and sell side), and a range of other factors.

Can operations model helps create a strategy grid?