

SCMS Supply Lines February 2010

State of the Project

After rapid funding increases, many programs are now facing a leveling off of available resources. To support patients currently on treatment and add those in need, programs must find ways to do more with existing funds.

Working in partnership with funders and clients, SCMS is establishing integrated supply chains that link multiple procurement functions and coordinate across stakeholders to lower costs for commodities, shipping, warehousing and distribution. **Every dollar saved in an integrated supply chain can be redirected to prevention, care and treatment for more people who need it.**

In this issue of *Supply Lines* you will find examples of best practices from multiple countries that lower supply chains costs, including:

- Forecasting and supply planning that helps avoid costly emergency orders, leads to better product selection and saves money at every stage of procurement.
- Standardization of commodities to simplify procurement and lower costs.
- National, regional and global pooled procurement that leverages the purchasing power of multiple buyers for the benefit of all, no matter the size of their purchasing budget.
- Freight management strategies that switch from costly air freight to ship by sea and land to achieve significant savings.
- Efficient coordination and regular distribution of commodities within a country that saves considerable costs and builds confidence in the supply chain.

A few short years ago, minds were concentrated on the very successful efforts to lower the cost of antiretroviral (ARV) medicines. But there is so much more that can be done beyond lowering the cost of ARVs. We hope this issue of Supply Lines will provide you at least of few ideas that you can apply to your own programs.

Special Feature: News from Haiti

In Haiti, SCMS manages warehousing and distribution of all PEPFAR HIV/AIDS commodities. Our team there has overcome hurricanes, tropical storms, food riots and now a major earthquake, maintaining not just their HIV/AIDS programming but also helping with disaster response.

SCMS Project Team

Within 48 hours following the January 12 earthquake, our staff returned to the still intact SCMS warehouse, identified supplies that would be useful for crisis response, and began shipping kits of emergency medicines and supplies to Port-au-Prince hospitals.

As of January 25, our team had distributed more than 67,000 pounds of medicines and emergency medical supplies to more than 40 health facilities in Port-au-Prince. Emergency kits came from existing supplies in the SCMS warehouse and include antibiotics and other essential medicines, blood transfusion sets, first aid supplies, infusion solution and oral rehydration salts and syringes.

On Sunday, January 31, a multi-disciplinary team arrived in Port-au-Prince to support the PROMESS warehouse (the government's central medical store) with receiving, inventory, distribution, procurement and other key supply chain functions to support disaster relief. As PROMESS is now leading the disaster response for local commodity supply, SCMS in Haiti is scaling down emergency support to hospitals and clinics and is concentrating its efforts on completing evaluation of health institutions' capacity to still manage PEPFAR HIV/AIDS commodities and serve their patients. Just seven days after the initial earthquake, SCMS also made its first resupply of antiretroviral (ARV) medicines for a health facility since the earthquake, and by January 21 began regular resupply of ARVs to multiple treatment sites to ensure that no patient experienced a treatment interruption due to lack of supplies at treatment centers.

Quarterly Trends

Each quarter Supply Lines reports on global trends in HIV/AIDS supply chains. For further information, e-mail SCMSInfo@pfscm.org. Here are the current highlights:

Procurement

New World Health Organization guidelines urge phase-out of stavudine

The World Health Organization has issued new guidance strongly recommending that countries should phase out the use of the ARV Stavudine. Widely available in developing countries as a first-line therapy, Stavudine is relatively cheap and easy to use, but can cause a nerve disorder leading to numbness and burning pain in the hands and feet, and loss of body fat known as lipoatrophy or wasting, conditions that are "disabling and disfiguring." The WHO recommends "that countries progressively phase out the use of Stavudine as a preferred first-line therapy option and move to less toxic alternatives such as Zidovudine (AZT) or Tenofovir (TDF)." Alternative regimens containing TDF or ATZ cost almost twice as much, and manufacturers may be unable to meet demand if many countries shift quickly from Stavudine. SCMS will continue to monitor this situation closely and work with both clients and suppliers to avoid problems in supply and in treatment budgets.

Success in forecasting spreads to laboratory commodities

Forecasts and supply plans for HIV/AIDS commodities are key to effective procurement and lowering costs, both for commodities and shipping. SCMS field offices in 11 of 16 countries have completed updates to ARV supply plans, and we are working with field offices on the remaining plans. After notable challenges in forecasting for laboratories, we are now seeing improvement. Seven countries (Botswana, Côte d'Ivoire, Ethiopia, Haiti, Mozambique, Rwanda and Zambia) have completed the first drafts of lab

supply plans. Our team is working to harmonize these plans with the SCMS core formulary list to facilitate future orders and maximize cost savings.

SCMS supporting scale-up of male circumcision programs

PEPFAR will be scaling up HIV/AIDS prevention over the next five years with male circumcision as a key prevention strategy. SCMS has been part of a working group to standardize commodities for male circumcision, which has agreed on three pre-made kits that programs can choose from. Having standardized kits available will reduce the cost of commodities and save time in selecting products. SCMS clients can order male circumcision commodities through the kits and equipment modules rather than as individual products. The kits provide surgical instruments and consumables for a set number of procedures, while the modules provide bulk supplies of equipment and other commodities required by male circumcision programs. SCMS is currently negotiating prices with vendors; we expect the first kits to be available in the first half of 2010.

Freight & Logistics

Plan ahead for the 2010 World Cup

SCMS recommends that countries in southern Africa begin to consider their delivery requirements in the later part of the first half of 2010. South Africa is hosting the football (soccer) World Cup from June 11 until July 11. This event attracts as many or more spectators as the Olympics and will flood airlines, highways and other infrastructure before, during and after the tournament, from March through July. We recommend that programs and implementing partners plan major airfreight deliveries to arrive before the tournament begins to ensure sufficient stock until major new deliveries can arrive in August or afterwards. Programs may, therefore, consider holding a somewhat larger stock than normal during this period.

Standardization of Laboratory Commodities Reduces Costs and Eases Supply Burdens

A single laboratory supporting HIV/AIDS programs may require hundreds of distinct items to carry out its work. If multiple laboratories use different items to do the same job, or use varying procedures to conduct the same test, procuring commodities for them can become an extremely complicated and costly process. This is exactly the situation many public health programs face.

In early 2008, 130 experts and policymakers from 31 countries gathered in Maputo, Mozambique for the Consensus Meeting on Clinical Laboratory Testing Harmonization and Standardization. Delegates drafted the Maputo Declaration on Strengthening of Laboratory Systems that outlines a number of objectives including “to review and agree on a list of supplies and tests” and “to develop a consensus to guide standardization of laboratory equipment” at each level of the laboratory network.

Standardizing laboratory commodities reduces costs in a number of ways. By reducing the number and variety of commodities, standardization saves money by allowing the purchase of commodities in bulk and reducing the workload needed to procure products. Having a shorter list of commodities also helps track inventory, reduce the storage space required, simplify distribution and reduce the risk of both waste and of costly emergency orders.

Consistent with the Maputo Declaration, SCMS is working with PEPFAR-supported countries to harmonize test menus, test techniques, operating procedures and laboratory equipment to improve the efficiency and effectiveness of HIV/AIDS treatment programs. More information on the Maputo Declaration can be found via the SCMS online Resource Center at <http://scms.pfscm.org/scms/resources/events/labharmonization2008>

In Ethiopia, lack of harmonization contributed to a weak laboratory logistics system resulting in frequent stockouts. In March 2007, SCMS led the design of a standardized laboratory logistics system.



Lab equipment at facility in Ethiopia

The resulting laboratory commodities distribution system is part of a larger streamlined system that integrates with other HIV/AIDS commodities including ARV medicines.

SCMS then helped standardize the lists of commodities at Ethiopia's Pharmaceutical Fund and Supply Agency's hubs, retaining only commonly used products. Standardization also facilitated easier service and maintenance by reducing the number and type of equipment in use.

Since May 2007, no stockouts have occurred for HIV/AIDS laboratory monitoring tests, and the number of costly emergency orders has dropped dramatically. Less wastage of expired or unneeded commodities also means money saved.

In Zambia, SCMS supported the Ministry of Health in September 2006 to lead a process to standardize test menus, testing techniques, and equipment for laboratory commodities. This process led to a number of improvements in the national laboratory system, resulting in a reduction in the number of laboratory commodities by about 80 percent and a corresponding decrease in procurement costs. The stockout rate dropped from an estimated 70 percent in 2007 to 2 percent by the end of 2008, greatly reducing the need for expensive emergency orders and improving the quality and reliability of service to patients.

From 2008 to 2009, Zambia established its national Laboratory Commodity Logistics System for HIV/AIDS treatment. The new system streamlined and simplified commodity management, and allowed for transfer of stocks among facilities to avoid expiration. A large amount of nonstandard equipment remains in Zambia. Cooperating partners procure and distribute reagents for all nonstandard equipment, but they are aiming to either equip these facilities with standard instrumentation or include some of the equipment currently omitted into the original standardized list.

In 2008 SCMS took over the responsibility of supplying laboratory reagents and consumables to the PEPFAR-supported laboratory network in Mozambique. To simplify procurement and leverage better pricing, SCMS signed indefinite quantity contracts (IQCs) with a local supplier, with the first deliveries arriving in early August 2008. SCMS provides monthly supplies of hematology, biochemistry and CD4 instruments to PEPFAR-supported sites, working from a standardized list of about 100 products. In June 2009 PEPFAR-supported laboratories reported a major achievement for SCMS: no stockouts of reagents or consumables. Since SCMS took over the responsibility for procurement and supply chain management of lab supplies, consumption of commodities doubled, and national coverage expanded, most notably in rural areas. Both the number of sites and the number of tests conducted continues to grow.

In Mozambique and elsewhere, this type of expansion has helped hold down the cost of commodities and shipping. In addition to Ethiopia, Mozambique and Zambia, SCMS is working to standardize laboratory commodities in other countries, including Botswana, Côte d'Ivoire and Haiti.

Efficient warehousing and distribution maximizes the use of resources

A key challenge from the beginning of the PEPFAR program was managing the unprecedented increase in the volume of commodities to support the rapid scale-up of HIV/AIDS programs by strengthening warehousing and distribution systems that were unprepared to handle these increased volumes.

Typical of the problems encountered were warehouses not having inventory management systems that could track stock, so commodities were often wasted due to expiration and overstock. Without proper racking and fork lifts, commodities often sat in piles on the floor and were damaged during storage or while being moved. Lack of security resulted in losses due to theft. Without temperature control systems or refrigeration, medicines and other commodities could be rendered useless after being stored or transported at the wrong temperature. And inefficient distribution needlessly wasted valuable resources on fuel and transport.

SCMS has helped transform warehousing and distribution systems in many PEPFAR-supported countries, including Botswana, Côte d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Rwanda, Tanzania, Uganda and Zimbabwe.

In places where boxes of expired medicines once clogged facilities, newly trained professionals manage stock using hand-held devices that read bar codes, automatically sending data to computerized systems that help manage inventory. And health care workers, who had no faith that medicines and supplies would be available when needed at clinics, are now placing orders with computerized systems confident that they will be received on time. In addition to helping patients get the medicines they need, these radical changes to warehousing and distribution help save money in various ways.

In Ethiopia, the ARV distribution system was historically a “push” system in which a central authority determined quantities shipped to health centers based on annual distribution plans, an approach that led to overstocks, product expiry, stockouts and emergency orders. SCMS worked with partners to redesign the ARV logistics system into a “pull” system with deliveries defined by

local needs, supporting a gradual transition from multi-tiered distribution to a two-level (warehouse to site) distribution.

Starting in October 2006, the pull system rolled out to 546 sites. The new system helped support a six-fold increase in HIV/AIDS treatment, from 23,000 patients to more than 150,000, and a similar increase in treatment sites from 73 to 480. This type of pull system reduces both wastage and overstocks by allowing treatment sites to order exactly what they need. Improved procurement planning and streamlining the supply chain has practically eliminated stockouts of ARVs and lab commodities—and costly emergency orders—at the national level.

In Côte d'Ivoire, the introduction of warehouse management software has helped the Ministry of Health to increase monthly order throughput from around 470 orders to between 1,350 and 1,800. The time taken for the six-month stock-take decreased from four weeks to one week when conducted in September using the new system. This greater efficiency saves both time and money.

In Rwanda, the Centrale d'Achate Medicaments Essentiels du Rwanda (CAMERWA) operates the national medical stores and has sole responsibility for procurement, storage and distribution of ARVs. To support CAMERWA in comprehensive restructuring of all warehouse management operations, SCMS provided technical assistance in warehouse best practices, redrafted standard operating procedures and reviewed the existing stock management system. CAMERWA has reduced the receipt process of drugs into the warehouse from 15 to 5 days, improving inventory control and stock reporting. Time to fulfill orders was reduced by half, lowering overtime costs. New shelving for the warehouse increased storage capacity by 64 percent, improving layout and product mapping. Accuracy of monthly reporting on stock levels and inventory is improving, alerting managers to potential stockouts before they occur. Monitoring and supervision of ARVs is more effective and customers are receiving ARVs in a timely manner.

In Uganda the Joint Medical Store (JMS), a faith-based organization, is tasked with managing 20 percent of all essential drugs in the country, storing these for NGO-supported Ministry of Health facilities and holding ARVs for several PEPFAR recipients. As JMS grew, so did the need for more storage. JMS temporarily rented additional warehouse space and later built a second building on its property in Kampala. The challenge was to manage stocks most effectively in each building and use the available space most efficiently. JMS management also needed to improve its information system.



Improved warehouse system in Uganda

SCMS recommended that JMS use one of its stores for bulk storage and the other primarily for picking and packing of orders.

At the bulk warehouse, SCMS helped separate receiving and dispatch areas to improve security and movement between the two warehouses.

SCMS also helped install a racking system and add forklifts, maximizing storage space in the bulk warehouse. At the pick warehouse, fast-moving items now reside at the front of the picking area and slow-moving items at the back, based on an analysis known as “ABC” analysis.

A new management information system (MIS) employs radio frequency devices that speed up transactions, offer instant stock-on-hand figures for any product and employ built-in alerts to minimize the likelihood of stockouts. A perpetual inventory system means that the store no longer needs to close for annual inventories. The new MIS directs pickers to specific pallet positions, enforcing first-to-expire, first-out (FEFO) picking to reduce the risk of wastage through expiry.

The new system reduced picking time by up to 30 percent. By addressing its warehousing and MIS issues simultaneously, and by continuously training and motivating staff in best practices, JMS has changed the face of its operations. The result is a streamlined, sustainable warehouse management system, enabling a more secure and reliable supply of products to those who need them, even as volumes increase with program scale-up.

Cost savings in shipping can redirect funds to prevention, care and treatment

One of the simplest ways to save on costs when procuring high volumes of HIV/AIDS commodities is to switch the delivery mode from air freight to sea and land freight. This strategy can save over 80 percent in shipping costs. SCMS is saving many of its clients significant monies through this strategy. Over the life of the project to date, total savings have been:

\$22.5 million for sea shipments (86 percent less than comparable air freight)

\$1.8 million for land shipments (66 percent less than comparable air freight)

Clients who plan in advance can take advantage of these savings. When countries implement supply plans with long time frames, we can schedule lower-cost transportation. It may take, for example, 45 days longer for shipments to arrive by sea than by air, but the significant cost savings can then be reprogrammed to other uses. Zimbabwe provides a good example. As the political situation stabilized in this country, the PEPFAR program, which supports 40,000 people on treatment, switched from air freight to road shipments of ARVs from SCMS's regional distribution center in South Africa, saving around 60 percent in shipping costs — or potentially \$130,000 per year. Initial savings were used to purchase HIV test kits to make up for the shortage in the national testing program.

With careful planning, any HIV/AIDS program can reassign savings in shipping to treatment, care and prevention.

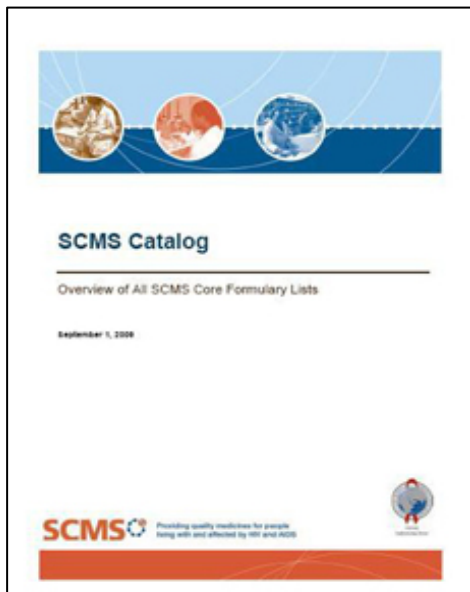
The SCMS E-catalog expands with new program categories

SCMS has expanded its product offerings as the needs of HIV/AIDS programs change and grow. SCMS has updated its core list of products which allows clients to identify what they need by program area; new program areas include home based care (HBC) kits, male circumcision (MC), and warehouse in a box.

The e-catalog, located at <http://scms.pfscm.org/scms/ecatalog>, provides a list of standardized products derived from current HIV/AIDS health needs determined by our clients. Clients can download a core product list PDF, which is updated on a quarterly basis, and can also search the e-catalog for real-time information on product categories such as ARVs and essential medicines.

New to the catalog are HBC kits composed of various products to provide supplies to the home-based workers for the care of people living with HIV/AIDS and for their own protection. An HBC kit contains usually essential products such as painkillers, gloves and bandages.

In collaboration with USAID, SCMS has prepared a standardized product list for MC programs according to guidelines set forth by the PEPFAR Male Circumcision Technical Working Group. In a recent UNAIDS and WHO report, both organizations recommended that MC should now be recognized as “an efficacious intervention for HIV prevention.”



The e-catalog provides an overview of the items that can be found in both reusable and disposable kits, and three supplementary modules:

- Module 1 includes supplies needed for infection prevention & control.
- Module 2 includes operating theater equipment.
- Module 3 includes emergency medical management supplies.

The e-catalog also provides an overview of essential items that are needed to perform MC operation with the kits, for example sterile gauze and iodine. SCMS is in the process of identifying products to support the waste management component of MC programs.

Protecting equipment purchased over the long term

In addition to products, SCMS can purchase a warranty on behalf of the client for certain items and may contract for extended warranty and maintenance service. Warranty agreements are guarantees that come with the sale of a product and are usually for a period of one year after installation, but can often be extended for multiple years at a favorable rate, if desired. Maintenance contracts can also be purchased for coverage beyond the warranty period for SCMS-purchased instruments (and on a case-by-case basis for non-SCMS procured instruments with prior USAID approval).

Using the SCMS E-catalog

SCMS is working with clients to best serve their individual needs and to procure the best-quality products at the most cost-effective prices. Precisely specifying the products needed is key to ensuring that you receive the right products in a timely manner.

Unclear specifications can lead to errors and delays in delivery. Whenever possible, we recommend that clients choose from products listed in the e-catalog when placing an order with SCMS. If you can't find what you're looking for, please ask us for help and we will work with you to determine how we can supply it.