Myths and Facts
ABOUT VACCINE PRODUCT PRICE AND PROCUREMENT

Myth: Price transparency cannot make vaccines more affordable.
Fact: Price transparency is a big step toward making vaccines more affordable, as it can help countries answer a number of important questions: It can help decision-makers evaluate whether and when they can afford to introduce new vaccines. It can help managers assess whether or not they are getting equitable prices compared to other countries. And it can help procurement units understand how to achieve lower prices by changing procurement practices. If prices can be predicted with some accuracy, then countries can more accurately evaluate the cost-benefit equation for their context. What price transparency cannot do in isolation is change market conditions (e.g., number of suppliers, stage of product maturity, demand from other countries). Nonetheless, price transparency is a critical step towards vaccine affordability for countries, giving countries more power and knowledge to negotiate lower prices.

Myth: Vaccine price transparency is not feasible.
Fact: There are several functional price information mechanisms that improve transparency of prices paid for drugs and pharmaceuticals. V3P explored six of these mechanisms in detail: WHO's Global Price Reporting Mechanism (GPRM), WHO/Health Action International's (HAI) medicine price database, Management Sciences for Health's (MSH) International Drug Price Indicator Guide, WHO/Western Pacific Regional Office's (WPRO) Price Information Exchange (PIE), the Global Fund's Price and Quality Reporting (PQR) tool, as well as Médicins Sans Frontières' (MSF) Untangling The Web (UTW) report (Hinsch, Kaddar, & Schmitt, 2014). In addition to providing comparative price information between market participants, medicines price information mechanisms have made it easier for countries to identify and improve inefficiencies in existing procurement systems when providing contextual information about the reported prices (Hinsch, Kaddar, & Schmitt, 2014).

Myth: Sharing price information makes it harder to negotiate lower prices.
Fact: Vaccine manufacturers are forbidden from collectively engaging in price transparency initiatives, as such activity could violate antitrust laws stating that prices may not be set in collusion. However, country involvement in price transparency initiatives like V3P can have many positive effects. Price information mechanisms for other medicines, for example, have resulted in increased uptake of higher quality medicines; improved contract negotiation outcomes; changes in national pricing policies; and lower prices (Hinsch, Kaddar, & Schmitt, 2014).

Myth: The price of each vaccine type (e.g., pentavalent) varies little between manufacturers.
Fact: A single vaccine antigen (e.g., measles vaccine) can be manufactured, formulated, and packaged in many variations, and no manufacturer will produce exactly the same vaccine as another. Not only do manufacturers strive to differentiate their vaccine product from those of their competitors, they are constantly looking for ways to improve the product. This can make it difficult to make price comparisons between two or more vaccine products that target the same disease(s).
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Myth: Manufacturers establish a set price for each specific vaccine presentation.

Fact: The price of a specific vaccine product (e.g., BioFarma’s TT vaccine in a 20-dose vial) will vary depending on the buyer, volume purchased, purchasing agent, length of contract, and many other factors. Although many manufacturers are committed to helping lower income countries achieve immunization goals, they are also very committed to their owners and shareholders. For this reason, prices remain a bit flexible and dependent on the buyer’s ability to pay and the terms of the contract.

Myth: Vaccine prices closely reflect the cost of production.

Fact: While some manufacturers may decide to link the price of their vaccines to the cost of production, many manufacturers actually prefer to apply differential pricing strategies where manufacturers set the price of their products according to the amount that a customer may be willing or able to pay. This is why prices of vaccines in high-income countries are often higher than in lower-income countries. Regardless of the pricing strategy chosen by the manufacturer, prices are always set higher than the cost of production, not only to generate profits, but also to offset the overall cost of developing vaccines and achieving regulatory compliance. In addition, revenues from vaccine sales may be put toward future expenses, such as investments in R&D, future inflation, modernization of production, and quality control testing. When a vaccine is relatively new and the manufacturer has not yet recouped its R&D investment, the price of a vaccine may be relatively high. Over time, however, the price of a vaccine may more closely reflect the cost of production (The World Bank and GAVI Alliance, 2010).

Myth: UNICEF pays a single price for each specific vaccine.

Fact: The price that UNICEF pays for a particular vaccine varies by manufacturer. For vaccines purchased on behalf of Gavi, for example, UNICEF will issue a tender and each manufacturer will respond with a price based on exact specifications, timing and size of the order, payment terms, overall demand and supply, cost of production, income level of the recipient country, and competitive considerations. To promote a healthy vaccine market and ensure the uninterrupted, sustainable supply of affordable vaccines, UNICEF strives to procure each vaccine from several manufacturers, not just the one offering the lowest price. The goal is to prevent a major supply disruption if one manufacturer decided to withdraw from the market or had a major batch failure. UNICEF tender procedures are compliant with the highest procurement standards and are reflected in the prices offered to UNICEF by manufacturers (International AIDS Vaccine Initiative, 2008).

Myth: Any country using UNICEF SD mechanism accesses the lowest possible price.

Fact: Middle-income countries not eligible for Gavi support can use UNICEF Supply Division to procure on their behalf. Although there is no guarantee that Gavi-like prices would be offered, UNICEF’s large procurement pool and strong procurement practices tend to generate more competitive prices that are difficult to achieve when self-procuring vaccines. UNICEF charges a handling fee of 3-5% depending on the vaccine and the income level of the country. (International AIDS Vaccine Initiative, 2008).
**MYTHS & FACTS**

**Myth:** Prices for all vaccines will drop over time.  
**Fact:** While it is true that vaccine prices can drop when manufacturers are maximizing production capacity or in a competitive supply environment, there are several reasons why vaccine prices sometimes remain constant or even increase over time. Higher vaccine prices can occur when supply is limited, when demand is high, when regulatory requirements become more complex, and when product preferences change to more expensive products (e.g., pentavalent to hexavalent; PCV 10 to PCV 13). Nonetheless, the prices for many vaccines can drop over time until they reach a threshold at which suppliers are no longer competitive nor interested. At this point some manufacturers might decide to exit the market. With fewer manufacturers remaining in the market, prices can sometimes re-increase.

**Myth:** It is easy to compare vaccine prices between two or more countries.  
**Fact:** To appropriately assess published prices, countries need to understand the context of the price as not just a “number.” There are many factors that can significantly affect the comparability of prices between countries including: points of change in ownership/delivery (also called “Incoterm”), inclusions and exclusions (i.e., agent fees, storage fees, distribution fees), charges (i.e., taxes, duties, tariffs, insurance), contractual terms (i.e., tenure, volumes, delivery schedules, payment terms, currency and exchange), “value added” goods and services, bundling, rebates, and discounts.

**Myth:** Procurement methods and practices have only a limited impact on price.  
**Fact:** Procurement methods and practices have a significant impact on vaccine prices. For countries using the PAHO Revolving Fund or UNICEF Supply Division, pooled procurement has been an effective strategy to lower vaccine prices for the purchaser and lessen procurement capacity requirements at the national level. For self-procuring middle-income countries, procurement practices that promote open competition, longer-term contracts, and larger volume contracts, for example, can result in lower vaccine prices.

**Myth:** It is uncommon for countries to publish prices paid for vaccines.  
**Fact:** Many countries have a legal requirement to publish (in some form) the price of the medicines and vaccines procured for the national health system whether in a gazette or on a website. However, the terms and conditions of those prices are not regularly published, making it almost impossible to disaggregate the price of vaccine from other price components. Increasingly, countries are using the V3P database to share prices, contract conditions, and other factors that allow prices to become more transparent.

**Myth:** Countries do not need to understand the global vaccine market to get the best prices & reliable supply.  
**Fact:** In contrast to the pharmaceutical industry, the global vaccine market is limited to relatively few manufacturers and suppliers. At present, there are no more than 25 manufacturers that export significant quantities of vaccines prequalified by WHO (World Health Organization, 2014). For the majority of vaccines there are only between one and five manufacturers for each specific product, with new vaccines often resulting in monopolies/duopoly of supply. Depending on products, it can take up to one year between the time when demand is confirmed with a manufacturer and the time that the vaccine is delivered to the country (World Health
Organization, 2014). While manufacturers may have existing inventory to meet the immediate needs of a buyer, it is often the case that supply is fully committed to existing purchasers and a new purchase order cannot be met immediately. Countries that understand the vaccine market and can accurately forecast demand and supply scenarios will be able to negotiate and find better prices and more reliable supply than countries with a poor understanding of the vaccine market.

**Myth:** Lower prices indicate lower quality.

**Fact:** All vaccines that have been prequalified by the World Health Organization meet stringent international standards for “assured” quality. Vaccine manufacturers are regularly audited by National Regulatory Authorities and WHO auditors to verify that international standards of quality are being met over time.

**Myth:** Vaccine development is similar to drug development.

**Fact:** Vaccine development differs from drug development in several important ways. First, because vaccines are preventive and are given to healthy individuals – often children – they require very large clinical trials, leading to increased research and development costs. Second, vaccines are biological products that can be very complex to manufacture and are subject to stringent quality control standards, resulting in much higher capital costs. Third, unlike drugs, vaccines have no secondary markets, making it unlikely that manufacturers will generate additional profits beyond the initial target markets. Finally, unlike generic drugs, which only need to demonstrate adherence to a pre-established development process, vaccines are biologicals that require full re-development to demonstrate their equivalence. (World Health Organization, 2014). Each manufacturer is required to invest in the full regulatory approval process for their vaccine products.

**WORKS CITED:**