Making Smart Investments to Increase Impact and Efficiency and Save More Lives

PEPFAR has demonstrated that it is possible to overcome health systems barriers and resource limitations to deliver HIV prevention, treatment and care to areas hardest hit by the HIV epidemic. PEPFAR programs have resulted in millions of lives saved, as well as broader economic, workforce, societal and security benefits. The global economic crisis has forced all partners to do more to meet unmet needs with finite resources. To develop more efficient and impactful programs and save more lives, PEPFAR is working to:

Strengthen use of economic and financial data to ensure efficient use of resources

PEPFAR has conducted extensive *costing studies* of treatment and other programs and has funded innovative work examining the cost-effectiveness of service delivery models. PEPFAR has also pioneered the use of outcome-linked *expenditure analysis* exercises among prevention, care and treatment partners in several countries, and is working to quickly routinize this activity PEPFAR-wide. These *data are shared with partner governments*, and used in decision-analytic and cost-projection modeling sponsored by PEPFAR and other partners to improve national program planning. Better access to updated economic and financial data and indicators will allow for PEPFAR programmers and national governments to better make *rapid course corrections* to improve planning and effectiveness, and avoid inefficient use of resources. PEPFAR is actively engaged with multilateral institutions such as Global Fund, World Bank, and UNAIDS on *harmonizing expenditure* categories across donors and national accounting systems to help countries capture a complete picture of resources and eliminate duplication across geographic regions and programs.

Incorporate innovations that promote efficiency and allocate resources based on impact

PEPFAR has been hailed as a learning organization and PEPFAR is actively working to identify, evaluate and incorporate *innovations that promote efficiency*. As an example, several programs worked with governments to *regionalize partners*, reducing costs and promoting transition to local leadership. Likewise, integration of services in many circumstances has improved patient outcomes and created efficiencies for both patients and funders—in Rwanda, a PEPFAR-sponsored pilot of TB/HIV service integration yielded sufficient benefits that it was rapidly scaled to become a true national program. Other examples include task-shifting, health information systems that free up clinician time, better TB and CD4 cell count diagnostics, and algorithms to reduce the frequency of clinical follow-up and laboratory testing while ensuring quality. PEPFAR will heighten efforts to ensure that innovations that truly improve outcomes and save money are adopted and scaled up without delay. *Optimizing allocation of resources* among programs and interventions is another way to improve effectiveness and efficiency, ensuring that decisions are driven by evidence of impact on the needs at the national and local levels, both within and between program areas. In prevention, with expanding availability of data on new infections, and an increasing array of proven interventions, PEPFAR is moving toward greater efficiency in its mix of programs in order to maximize impact. PEPFAR's support for *development and dissemination* of guidelines from organizations such as the World Health Organization (WHO) encourages standard protocols for services, improving outcomes and containing costs by streamlining national systems.

Leverage creative mechanisms for healthcare finance to bring additional resources to bear

The magnitude of the HIV epidemic, uncertainties around funding streams, and the chronic nature of the disease require resources through multiple mechanisms. In addition to massive funding through traditional mechanisms, PEPFAR and other donors have responded with innovative approaches, including *performance-based funding, sliding-scale cost-recovery for service delivery, health insurance schemes, public-private partnerships, and taxes for health revenue generation*. Through evaluation and partnerships, PEPFAR is working to move beyond pilot programs to systematic adoption of these innovative mechanisms at regional and national levels in order to increase benefits.

Increase collaboration with governments, the Global Fund and others to align programs and target investments

PEPFAR Partnership Frameworks map out five-year strategic partnerships with governments and other country partners, including civil society, and align closely with national strategic plans for HIV and health. By clearly outlining partners' expected contributions, mutual accountability is reinforced and PEPFAR is able to target investments to gaps, while encouraging policy reforms needed for an effective and efficient response (e.g. task-shifting). One example of PEPFAR's strategic partnerships that increase efficiency is its $120 million investment in antiretroviral drugs (ARVs) for the national program of South Africa. The South African Government was able to *leverage the best international pricing achieved by PEPFAR* to reform their own procurement processes and obtain better pricing for ARVs, saving an estimated $650 million over two years and allowing many more people to be treated. PEPFAR is also working closely with the other major funding vehicle for HIV programs worldwide, *the Global Fund to Fight AIDS, Tuberculosis and Malaria*, in which the USG makes substantial annual investments. One goal is to be sure that investments are complementary, and that both organizations prioritize efficiencies. This work occurs both in the field and at headquarters and is accelerating on technical and policy levels.

Reduce costs by streamlining USG operations and supporting increased country ownership

PEPFAR has always insisted that funds be spent as efficiently and as close to the field level as possible. By accelerating the use of *systematic analyses of USG costs and staff structures* to ensure efficient allocation of staff to match the intensity of need for oversight and planning functions in particular areas, PEPFAR is working to optimize human resource and other investments. In addition, PEPFAR is *collaborating with USG implementing agencies involved in reforming procurement processes* that will ultimately maximize benefits to PEPFAR programs. In addition, where possible, PEPFAR is promoting *transition of service delivery responsibility to the local level*, supporting leadership by governments and indigenous NGOs. This has the potential to reduce costs while reflecting PEPFAR's strategic vision of country ownership (country-led prioritization, implementation, and accountability) for sustainability. *Steps to build capacity and continued monitoring for quality* are needed to prepare for successful transitions, and external partners play an ongoing key role in developing local capacity to oversee programs. While there are substantial potential savings from these transfers, such as overheads that can increasingly be used for programming, other costs will increase, including monitoring and evaluation and capacity-building and support of local governments and NGOs, often through external partners. *Over time, governments may assume increasing financial responsibility for programs*, particularly in middle-income settings with substantial resources.

Achieve best all-inclusive commodity pricing

PEPFAR has used its technical and regulatory expertise and scale of implementation to *reduce the costs of commodities* for use in PEPFAR programs. Initially, a hurdle to rapid treatment scale-up was the cost of antiretroviral drugs (ARVs), and PEPFAR worked closely with FDA to modify an existing mechanism for approving pre-market generic drugs for use in PEPFAR programs. By 2009, *generic formulations* accounted for almost 90% of the approximately 20 million ARV packs purchased with PEPFAR funds, up from 14.8% in 2005. With ARV prices accounting for approximately one-third of the total costs of ART, PEPFAR will also continue to address other elements of purchasing and delivery methods and the regulatory environment to further reduce costs. *Aggregating orders and leveraging the buying power of a large program* has increasingly allowed PEPFAR to negotiate discounts. In 2009, PEPFAR purchased 50% of ARVs through pooled procurement via the Supply Chain Management System (SCMS), a consortium of organizations developed and supported by PEPFAR. Another factor in costs is the method of delivery. Through SCMS, PEPFAR has been able to pioneer the *use of sea and land routes* for ARV and other commodity delivery, allowing PEPFAR to avoid the high costs of air freight incurred by many programs. Improving regulatory environments in countries is also an important factor in the ability to use new drug formulations and generic versions, with limited government capacity often delaying adoption of new generic drugs. PEPFAR support for *well-functioning regulatory structures* is especially important as many countries change their clinical guidelines and make major investments in new drug regimens. PEPFAR has developed and is piloting a process, known as the PaATH (*Pre-approval Access to HIV/AIDS Therapies*). This process allows governments to use standard packages of drug approval information provided by a stringent regulatory authority such as FDA to "pre-approve" new ARVs and allow for their importation while the regulatory approval process is ongoing.

Implement an evaluation and research agenda that will show how to improve efficiency and impact

PEPFAR has revitalized its *implementation science* (IS) agenda, including *evaluation, operations research and impact evaluation*. To generate new information directly linked to program implementation, PEPFAR is prioritizing IS, including comparative studies of efficiency and effectiveness of service delivery models and innovative technologies, and partnering with other funders and research partners to accelerate the work.