

# **Policy position on tender design**

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# Introduction

In response to growing budgetary pressures payers have increasingly turned to tendering as a cost-containment strategy to manage pharmaceutical spending, particularly in the procurement of generic and biosimilar medicines.

Sandoz calls for tender frameworks that foster market plurality, ensure supply security and support the long-term viability of healthcare systems.

Single-winner, price-only tenders, while delivering short-term savings for payers, often undermine long-term market sustainability, supply security and plurality. In fact, the widespread use of single-winner, price-only tenders has led to the commoditization of generic medicines and consolidation of supply with growing risks to supply security. The WHO notes that tendering should be conducted with the goal of purchasing high-quality and effective products; therefore, deciding which supplier(s) is/are awarded the contract should not be based solely on price. [1]

Sandoz believes that medicines should be procured strategically to improve access to affordable medicines and to foster competition. Procurement practices can also support greener pharmaceutical manufacturing, security of supply and crisis preparedness.

**At Sandoz we advocate for multi-slot/multi-winner tenders with award criteria that go beyond price, as, support market sustainability and promote resilient multi-source European supply.**

## 1. Secure diversity of suppliers: counteracting consolidation through multi-winner tenders

To ensure the availability of medicines, it is crucial that tenders are designed to award multiple suppliers. This approach strengthens competitiveness but also fosters a more sustainable industry structure, ensuring multiple suppliers can remain commercially viable while delivering high-quality, affordable medicines and giving payers the best value for money.

It is important to note that for multi-slot tenders we do not support:

- allocating fixed, pre-defined, or proportionate volumes per slot (eg, 50% to the first-ranked, 30% to the second). A purchase guarantee is recommended instead. This would allow clear volume estimation and planning reliability.
- Multi-winner scenarios, in which the first winner supplies the utilized product and others serve as back-up in case of supply issues with the first-ranked winner, are to be avoided.

## 2. Increase demand predictability and prevent disproportionate penalties for suppliers

Tender processes must provide **predictability and transparency** to ensure both short-term operational planning and long-term sustainable and resilient supply.

This includes **adequate lead times** (at least six to nine months) between contract signature and first supply and **accurate volume commitments**. Moreover, tenders should be launched promptly after loss of exclusivity and existing local rebate agreements should be discontinued to prevent locked volumes and enable open market access.

**Multi-year agreements** are also encouraged to secure manufacturing capacity in advance and place committed orders with suppliers. This reduces the risk of stockouts and allows optimized pricing through better planning and economies of scale.

Additionally, long-term agreements support a more strategic partnership approach. They allow buyers and sellers to align on key non-financial priorities, such as sustainability, supply resilience and innovation. With

improved forecasting and planning, logistics and supply chain operations can be streamlined more efficiently, delivering both cost and environmental efficiencies.

The total life cycle cost of medicines under multi-year agreements is significantly lower than that of one-off annual purchases, benefiting both healthcare systems and patients.

Furthermore, penalty frameworks must strike a fair balance between risk and reward.

Disproportionate penalties, such as those based on list rather than net prices, can deter participation and reduce market competition. Instead, **penalties should be proportionate to the value of the contract and consider the cause of supply failure (eg force majeure) as well as the complexity of production (e.g. products with frequent supply issues).**

Ultimately, open dialogue between purchasers, clinical teams and suppliers is critical to establishing realistic supply conditions and fair contractual terms. Early engagement and transparent communication around timing, volume and expectations is key to fostering a stable and competitive procurement environment.

### 3. Allow pricing flexibility

To ensure the continued viability of medicine production, **tenders should include legally binding price adjustment mechanisms that account for inflation and evolving market conditions.**

Economic fluctuations, such as rising energy costs and raw material shortages, can significantly increase production and distribution costs. Currently, pharmaceutical procurement lacks mechanisms to adjust prices in response.

Without the ability to adjust prices, suppliers may face unsustainable margins, leading to market exits and supply disruptions. Introducing **structured, transparent mechanisms for price revision** enables suppliers to absorb economic shocks while maintaining a stable and reliable supply of medicines. Such mechanisms are common in other sectors and should be introduced to pharmaceutical procurement.

### 4. Consider criteria other than price alone

Price-only procurement models, while delivering savings in the short term, can increase healthcare expenditure in the long run and undermine sustainability, resilience, and quality of supply.

**Most Economically Advantageous Tender (MEAT)** criteria consider qualitative and strategic factors in addition to price, such as:

- **Supply security and manufacturing location**: Award criteria should promote supply chain resilience, diversification, and consider the geographical proximity of manufacturing, particularly within the EU.  
**Sandoz supports award criteria that incentivize made-in-Europe manufacturing.**  
This reduces Europe's dependency on non-EU markets, strengthening supply security, patient access and positively impacts the environmental footprint by reducing logistics costs and lowering carbon emissions.  
More specifically, Sandoz has a strong European manufacturing footprint for biosimilars and anti-infective medicines: out of 15 worldwide manufacturing sites, 11 are in the EU.  
Sandoz plays a critical role in maintaining and strengthening a robust, independent and EU-based footprint for antibiotics. Our Kundl site in Austria is the last end-to-end penicillin production facility outside of China, representing Europe's only large-scale vertically integrated antibiotic production network including the critical 6-APA fermentation stage.  
Moreover, Sandoz is building similar capacity for biosimilars with ongoing investment in in-house manufacturing to establish a fully-integrated European biosimilar hub.
- **Environmental, Social, and Governance (ESG)**: Sandoz believes that ESG efforts are best addressed at the corporate level, rather than at the individual product level. Given the scale of our operations, impactful sustainability initiatives, such as emissions reduction, responsible sourcing, renewable energy use, waste minimization, and sustainable logistics, are best designed and implemented at enterprise level.  
Procurement frameworks should therefore prioritize and reward corporate-level ESG actions, especially those embedded across the supply chain, rather than requiring fragmented, product-specific

reporting. Corporate ESG reporting provides a more accurate reflection of a company's ambition, progress and systemic impact.

Sandoz has made significant progress in addressing enterprise-level ESG criteria, such as setting Science Based Targets (SBTs) and committing to Net Zero by 2050, signing power purchase agreements (PPAs) for renewable electricity and actively engaging suppliers to advance sustainability in a commercially pragmatic way.

- **Product features and quality standards:** These include information about packaging, product composition and presentation, storage, stability (eg, out of fridge), reconstitution and ease of use. Our products meet the highest quality standards. Given the size of our portfolio Sandoz believes that those criteria should be adapted based on local requirements.

Moving away from price-only to value-based tendering models using MEAT criteria will:

- Incentivize long-term investment in supply capacity and quality
- Incentivize made-in-Europe manufacturing for sustainability and security of European medicines supply
- Promote environmentally responsible manufacturing
- Reduce systemic risks tied to consolidation and price erosion
- Ensure better alignment between procurement practices and broader health and industrial policy goals.

To ensure effective implementation of MEAT criteria **we recommend the following principles:**

1. **MEAT criteria should be sustainable, transparent, realistic and tailored** to meet product-specific needs and flexibility due to the high variability and diversification of generic and biosimilar portfolios. It is not feasible to establish a one-size-fits-all approach for MEAT criteria application, especially when considering product-level and ESG features.
2. A **multi-stakeholder approach** should be adopted in shaping tenders, especially involving:
  - Clinical experts, to ensure medical appropriateness and patient-centered outcomes.
  - Industry representatives, to provide insights into feasibility and innovation.
  - Procurement professionals to align with operational and market dynamics.
  - Regulators and policymakers, to ensure consistency with broader health system goals.

As a global leader in generics and biosimilars with a strong European footprint, Sandoz is committed to partnering with governments to balance quality, supply reliability and pricing. Sandoz employees should use this policy framework to guide engagement with tender authorities, promoting procurement models that support appropriate award criteria and long-term market competition.

## Conclusion

Procurement of medicines should foster competition and improve access to medicines, as well as addressing other important policy objectives, including ensuring security of supply, protecting the environment and improving crisis preparedness.

Effective procurement requires a multi-stakeholder approach, involving suppliers, HCPs and tender authorities, to tailor strategies to each molecule while recognizing the high variability across products.

Well-organized tendering can efficiently promote competition, ensure equal market access, and help healthcare systems control costs, enabling savings to be reinvested in patient care.

**At Sandoz we advocate for a multi-slot/multi-winner tendering model with award criteria beyond price, as a universally valid principle that best aligns with our business model and supports sustainable and resilient supply as well as enabling multi-source European supply.**

However, due to diverse procurement practices across markets and product specifics, a universal tendering framework is not feasible. Instead, procedures should aim to maintain market plurality and use award criteria beyond price, ensuring these are objectively defined and tailored to each contract.

A life cycle approach to procurement, considering a medicine's position in the value chain, helps determine suitable procedures and relevant award criteria. Depending on market maturity, additional actions may be necessary.

Incorporating Most Economically Advantageous Tender (MEAT) criteria, such as environmental sustainability and supply chain resilience, aligns with EU priorities and supports fair competition without imposing unnecessary administrative burdens.

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