

Medicines Procurement Practices in Public Sector

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INTRODUCTION

Medicines are perhaps the most important medical intervention in health care delivery systems. Thus the availability and easy accessibility to quality medicines by the public is an important component in health care services. The non-availability of medicines demoralise the health work force and the health system loses credibility. The people will not use the system and the system may fail. Health system can not succeed unless the continuing availability of quality medicines is ensured. The component of the medicines in the overall health budget of the central and state governments is just around 12 % and 10% respectively. Often the drug expenditure as percentage of health expenditure is as low as less than 2 % in some states. Such small percentage of money allotment or spent on medicines requires careful planning on drug supply management in order to optimise the utilization of resources for ensuring availability of quality medicines in public health system. Procurement is an important step in overall drug management cycle which primarily determines cost containment. Procurement or purchasing is the identification of suitable source of supply and the acquisition of supply according to the procurement plan, as economically as possible, within established quality standards. Regardless of how medicines are procured, the goal should be to make procurement process as effective and efficient as possible. Effective procurement enables the government or procurement agency to make necessary medicines available based on quality, timing, and quantity specifications in the procurement plan. Efficient procurement means that medicines are purchased at least possible cost to the system. In budget constraint situation, VEN (vital, essential and non-essential) analysis, Therapeutic category analysis and ABC analysis techniques may be utilized to select

priorities and reduce the quantities of less cost effective medicines. Though the decentralized system of health care- shifting the responsibility for managing health care services from central level to intermediate and community levels is favoured, the pooled procurement process (centralized procurement) is proved to be more beneficial in cutting cost and ensuring quality and quantity. Pooled procurement of medicines has been remarkably successful reducing the expenditure on purchase of medicines in Tamil Nadu. The National Rural Health Mission review views the Tamil Nadu system of Drug Procurement (full Medicine supply management system) is one of the best in the country and is a role model for other states.

Procurement plans

Procurement plans are usually based on requirement estimates derived mathematically from the following data: (i) forecasts, (ii) stock on hands at all levels of distribution system, (iii) previous procurement quantities ordered or deliveries expected, (iv) losses expected to occur due to damage or expiry, (v) transfer to or from other logistic system and (vi) desired stock at the end of each planning period (including safety stocks and working stocks at all levels). The estimated quantity of medicine required in a given planning period, usually an year, can be calculated as: Quantities required = (Stock on hand + Quantities already ordered + Transfer expected from any other source - Estimated consumption for the period - Losses - Desired stock at the end of period).

Procurement Process

The core principles of medicines procurement are:

- Procurement of most cost effective medicines in the right quantities;
- Selection of reliable suppliers of quality products;
- Assurance of timely delivery; and
- Use of lowest possible cost.

The following general procurement methods are followed in procurement practices in public health

system. Their advantages and disadvantages given in the tabular form:

Method	Criteria	Advantages	Disadvantages
Open Tender	Quotations are invited from potential manufactures or suppliers	Many bids some with low prices; New suppliers can be identified	High workload required in evaluating bids and selecting suppliers
Restricted Tender	Open only to pre-qualified suppliers	Fewer bids; Pre-qualified suppliers; Quality easier to ensure	Fewer bids; More limited options; A system for prequalification needs to be in place.
Competitive Negotiation	Approaching a few selected manufacturers or suppliers and requesting price quotations	Suppliers are generally well known; Less evaluation work	Generally higher prices
Direct Procurement	Direct purchase from a single supplier either at quoted prices or negotiated prices	Easy and Quick	High prices; Transparency is in question

A restricted tender, open to pre-qualified suppliers, should be the method of choice. The World Health Organization follows pre-qualification of products for procurement by International Agencies. The pre-qualification criteria are often in built into the tender document. The pre-qualification of suppliers can be made obtaining supplier information through questionnaires, evaluating product samples, evaluating the past performance etc.

In the tender invitation, the terms and conditions of the procurement are laid down. The document must specify at least the following:

- How the quotations should be submitted.
- Terms of payment.
- Delivery period.
- Delivery schedule.
- Product specification.
- Labelling.
- Packaging.
- Shelf life.

The tender invitation document must lay down the technical and basic requirements for obtaining products of acceptable quality. This also serves as a reference in the event of problems or disputes with the supplier. After thorough evaluation of bids, the tender board usually awards the tender. It is important that the pharmacist with knowledge and expertise of pharmaceutical products or medicines must be part of the board. As

pharmacists are knowledgeable and skilled on determining the quality of medicines, their presence in board would likely to ensure quality consideration in addition to price in awarding the tender. The Procurement system should have in built mechanism for monitoring the supplier's performance. The suppliers' compliance with terms and conditions of the contract must be recorded. Quality of supply is also to be checked through visual inspection following standard operating procedure with pre-determined criteria.

Tamil Nadu Model of Procurement

In order to redress the chronic non-availability of essential medicines in most of the health facilities, the government of Tamil Nadu in 1994 set up a government procurement and distribution agency, Tamil Nadu Medical Service Corporations Limited (TNMSCL). It was entrusted with the responsibility for streamlining procedure for procurement, distribution and storage of medicines within the entire health care network of Tamil Nadu.

The system procures drugs on International Nonproprietary name (Generic Name) for all health facilities, called pooled procurement. The salient features of the procurement process:

- Updating the essential drugs list.
- Procurement by generic name only.
- Open tender system inviting bidding only from manufacturers.

- Pre-qualification criteria:
- GMP certification for manufacturer.
- Market standing of at least three years.
- Minimum turn over.
- Two lower suppliers are also approved.
- Outer and inner package of all items bear the logo of TNMSC and labels with “For state government (TG) only & Not for Sale”.
- Quality Control: Coded samples are analysed in private approved laboratories.
- 90% of the medicines requirement (in terms of budget) are supplied by TNMSCL and remaining 10% budget meant for local purchase by individual health facility.

Pooled procurement with transparent tender system with well-defined pre-qualification criteria and efficient distribution and storage system helped in improving the drug availability in health systems.

Other states like Kerala, Andhra Pradesh and Karnataka are following similar procedures for Medicine Procurement for the respective states through establishment of procurement agencies in line of Tamil Nadu Model. The procurement agency as part of quality assurance programme as well for monitoring the performance of suppliers often publicly disclose the name of banned and disqualified suppliers. This helps other procurement agencies eliminating them from prospective list. One can find the list of such suppliers at JIPMER website.

Hospital Pharmacy in Drug procurement

As procurement being centralized in most of the states following successful model of Tamil Nadu, the hospital pharmacy department of hospitals will have little options for directly participating in drug procurement. However, its expertise on estimating drug requirement for the health facility is important feed back for finalizing the quantity to be procured by the central agency. As most health facilities would have provisions for local purchase to some extent to cater local needs, the hospital pharmacy continues to involve in drug procurement, but only to the extent of direct purchasing. But in private or corporate hospitals, the hospital pharmacy continues to be involved in procurement process for procuring drugs and other supplies for the hospitals. Even in private charitable institutions with several health facilities adopted pooled procurement process with delivery at different locations. One example of this type is: Emmanuel Hospital Association.

CONCLUSION

Procurement in public health system involves a competitive bidding process where the lowest qualifying bidder unconditionally wins the contract. Tendering or Competitive bidding for drug procurement has been accepted as being positive in terms of making the process as fair and transparent as possible. But it has few negative aspects too. Though competitive bidding reduced the possibilities of collusion, fraud and corruption practices, it has not completely prevented these to occur. The competitive bidding (especially in case of high volume and price contracts) is time-consuming process which may take at least 6 often more than 12 months. A new approach or mechanism may arise with time which would perhaps make the system of procurement methods further efficient with better transparency.

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