

Strengthening Public Drug Procurement Systems: A Comparative Study of Five Indian States

Prabal V Singh, Anand Tatambhotla, Rohini Kalvakuntla and Maulik Chokshi

Background

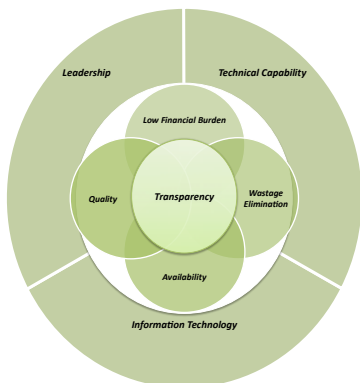
- India plans for free generic essential medicines for all with an approximate budget of US\$5 billion over the next five years
- Procurement in India largely through centralized rate contracting and decentralized purchasing on a state level
- Transition towards centralized pooled procurement at state level (following the change in Tamil Nadu), and at central level
- Key characteristics of TNMSC: autonomous agency, IT enablement, localized Essential Drug List (EDL), centralized procurement, purchasing and distribution of drugs etc.

Objectives

- To understand the influence of procurement processes on procurement prices and utilization of resources
- To compare centralized, mixed and decentralized pooled procurement models
- Replication on TNMSC model – Is it valid in all scenarios? Does it always work?
- Does adaptation of a certain process act as panacea for efficient procurement or are other intangible factors involved?

Methodology

- States were chosen to ensure heterogeneity on multiple factors viz. type of procurement model, geography, status of public health infrastructure, and state healthcare budgets
- Sample Set: Kerala, Maharashtra, Odisha, Punjab, and Tamil Nadu
- Primary data collection: Interviews with leadership teams, administrative officers, warehouse managers, finance managers, quality teams, store keepers, facility medical officers and facility pharmacists
- Secondary data collection: RTI applications, published works and grey literature

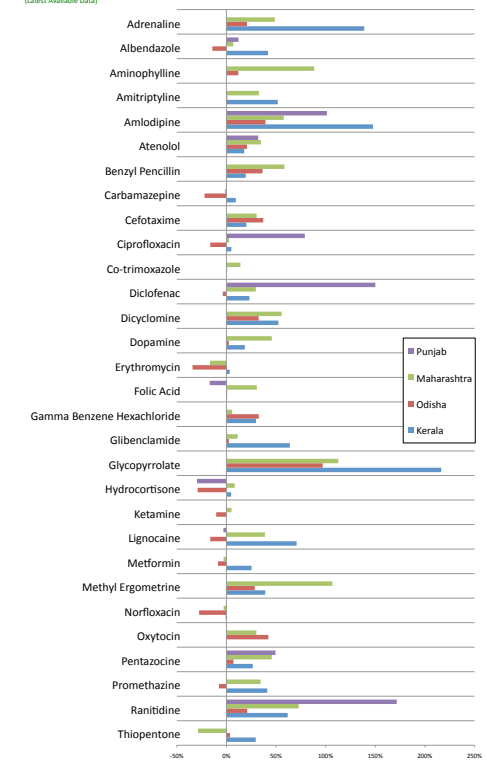


Findings

Comparison of the State Procurement Models on Select Parameters

Parameter	Kerala	Maharashtra	Odisha	Punjab	Tamil Nadu
Legal Status of Procurement Organization	Autonomous	Government Owned	Government Owned	Government Owned	Autonomous
Per Capita Drug Procurement Budget (US\$)	1.02 (2011 – 12)	0.71 (2010-2011)	0.18 (2010 – 11)	0.12 (2010-2011)	0.45 (2010 – 11)
Essential Drug List					
Customized State EDL	Yes	No	Yes	Yes	Yes
Frequency of EDL Revision	1 Year	n/a	2 Years	1 Year	1 Year
Time for EDL Preparation/Revision	2 - 3 Months	n/a	7 - 8 Months	4 Months	2 - 3 Months
Demand Estimation & Forecast					
Methodology for Estimation (Facility Level)	10 - 15% Over Previous Year's Indent; Performed by Facility Pharmacist	10% of the Previous Year's Indent	No Scientific Method; Usually Performed by Computer Operator/ Clerk	n/a	10% of the Previous Year's Indent
Procurement Process					
Procurement Mechanism in the State	Centralized Procurement at State Level	Centralized Rate Contracting and Decentralized Purchase	80% Centralized State Procurement; 20% Decentralized District Procurement	12.5% Centralized State Procurement; 87.5% Decentralized Purchasing	90% Centralized State Procurement; 10% Decentralized District Procurement
Emergency Drug Budget Allocation	Yes (Additional Funds Released)	Yes (Additional Funds Released)	No (Purchased from Existing Budget)	No (Purchased from Existing Budget)	Yes (Additional Funds Released)
Minimum Turnover Pre-qualification Criteria (US\$)	2 Million	2 million	2 Million	10 Million	0.6 Million
Minimum Market Standing (Years)	2	3	3	3	3
Exclusion Criteria for Factory Inspections	Supply to Premier Institutions like AIIMS	n/a	None	None	None
Pre-identified List Reserved for SSIs/PSUs	None	None	31 Items (For SSIs)	None	None
Quality Control					
External Quality Testing of Every Consignment	Yes (Empanelled Pvt. Labs)	No (Only Supplier's Internal Certificate)	No (Only Supplier's Internal Certificate)	Yes (Empanelled Govt. Labs)	Yes (Empanelled Pvt. & Govt. Labs)
Testing Before Distribution	Mandatory	Not Mandatory	Not Mandatory	Mandatory	Mandatory
Lead Time for Quality Testing	~ 15 Days	n/a	~ 56 Days	~ 30 days	~15 Days (Tablets); ~30 Days (Suspensions)
Payment Mechanisms					
Payment Department Status	Autonomous from Government	Government (Directorate of Accounts & Treasuries)	Government (Account General's Office)	Government	Autonomous from Government
Lead Time for Payment	~ 30 Days	~ 90 days	~ 90 Days	Min. 30 days	30 days
Inventory Management and Distribution					
Scientific Warehousing Practices	Yes	No	No	No	Yes
Supply Chain Management	Outsourced	In-House	In-house	In-House	In-House
Inventory Management	Dynamic (Flexibility of 2nd Purchase Order)	Dynamic (25% Purchase Order Flexibility)	Static (Single Purchase Order Issued)	Static (Single Purchase Order Issued)	Dynamic (Flexibility of 2nd Purchase Order)
Flexibility for Facilities to Alter Indent	Yes (Just Before Dispatch)	No	No	Yes (Just Before Dispatch)	No
Tracking Dispatched/ Delivered Drugs	Volume Based Passbook	No Tracking	No Tracking	n/a	Value Based Passbook
Scientific Inventory Management at Facility	No	No	No	No	No

Price Variance Compared to Tamil Nadu's Procurement Prices



Analysis & Commentary

- The Odisha and Kerala procurement models are adaptations of TNMSC. Kerala has been successful while Odisha is struggling with insufficient budgets, non-autonomous procuring agency, poor quality control, lack of IT enablement, bureaucratic hassles and political interference
- In Maharashtra, internal conflicts led to the split of the procurement powers between Directorate of Medical Education and Directorate of Health Services. Both agencies pursue different modes of procurement leading to duplication of processes and resources. Significant delays in payment resulting in erratic supply schedules & prices
- In Punjab, majority of the drugs are purchased by the facilities; purchases are financed by collected user-fees; Non-autonomous procuring agency, bureaucracy, lack of IT enablement and technically capable staff resulting in non-fulfilment of demand and poor outcomes
- There was no observed correlation between price vs. volume but there is a negative correlation between level of quality control and pre-qualification criteria vs. price
- Future Areas of Research:** Assessing drug availability in public sector facilities; and detailed study on factors impacting procurement prices

Critical Success Factors

