

Philippines

Public procurement prices of medicines

Medicine prices matter

Rapidly rising costs of health care and high medicine prices are a growing concern worldwide, especially in developing and transitional countries where patients often have to pay the full price of medicines. This brief report about the procurement prices of essential medicines in the Philippines summarizes the results of a medicine price survey carried out using a standard survey methodology developed by the World Health Organization and Health Action International¹.

This survey was conducted in 2008 by Health Action International with the endorsement of the Ministry of Health. The procurement prices of 50 medicines were studied across various levels of public procurement in the Philippines.

The survey found that in the Philippines:

- There is extreme variability in the efficiency of public procurement of essential medicines in the Philippines
- DOH-retained hospitals are more efficient at procurement of medicines than provincial and municipal hospitals.
- DOH-retained, provincial and district hospitals procure generic medicines at almost 3 times the international reference price.
- A few health facilities were procuring generic essential medicines at prices comparable to international prices but most were not.
- PITC Pharma is able to procure low-cost generic essential medicines at levels similar to the international reference prices.
- Interpretation and implementation of procurement acts and regulations varies between procurement entities.
- Health facilities operating revolving funds have increased availability of medicines but at higher prices.

The Philippines

The country has 17 regions, 81 provinces, 136 cities, 1,494 municipalities, 41,995 barangays (end 2007). The population of the Philippines is estimated at 92.23 million in 2009. The Philippines is classified by the World Bank as a lower-middle-income economy which has a per capita GDP of \$3,383 (2007; PPP-adjusted).

Expenditure on health is around 3.3% of GDP and per capita government spending on health is \$88 (PPP-adjusted). Much of health care in the Philippines is provided through the private sector with around 60% of spending on health care coming from out-of-pocket payments.

In 1992, health services were devolved from central government to local government units (LGUs) i.e. provincial and city/municipal authorities. The Department of Health (DOH) is responsible for policy development, implementation and regulation, and directly oversees the operations of selected hospitals (72 DOH-retained hospitals). With the devolution of health care, procurement of medicines was largely made the responsibility of local government units, with DOH-retained hospitals performing their own public bidding. The DOH undertakes limited central procurement of medicines for vertical programs. PITC Pharma, a public corporation, performs some centralized procurement of essential medicines e.g. for the Botika ng Barangay program and the P100 project².

Over 16,000 pharmaceuticals are registered with the Bureau of Food and Drugs. At the end of 2008, there were 275 licensed pharmaceutical manufacturers and 448 drug traders producing or importing medicines and 4,165 licensed pharmaceutical wholesalers (distributors). Medicines are supplied to about 30,000 retail outlets, of which roughly 21,000 are private drugstores, 1,700 are hospital pharmacies (private and public) and the remainder are community drug stores (e.g. Botika ng Barangay. Inefficiencies in delivery of primary care, and market dominance by a few companies in wholesale and retail sectors, results in almost 90% of medicine sales (by value) occurring through private retail outlets with the remainder through hospitals (70% private)³.

¹ WHO/HAI. Measuring medicine prices, availability, affordability and price components, 2nd Ed., Geneva, World Health Organization, 2008; <http://haiweb.org/medicineprices/>

² P100 programme was launched in 2008 by the Department of Health (DOH) in conjunction with PITC Pharma under which PITC would make available designated packs of selected essential medicines available for a price of P100 or less inclusive of any mark-ups

³ Kanavos 2002; Pharmaceutical & Healthcare Association of the Philippines, 2008

A survey in 2005 using WHO/HAI methodology found, among other things, that prices of originator brand medicines sold from private retail outlets were on average 15 times greater than the reference price, while the lowest cost generic equivalents were more than 6 times the reference price. The situation in public facilities was essentially the same. Procurement was only assessed at one public hospital and showed originator brands and lowest priced generic medicines being procured at 14 times and 5 times the international reference prices respectively. However, procurement is decentralized and this finding may not be representative.

Medicine procurement price survey

The objective of this study was to assess the procurement efficiency at various levels of the health system in the Philippines through evaluation of the procurement prices of a selected basket of essential medicines.

A total of 50 medicines were surveyed; 14 medicines from the WHO/HAI global core list with pre-set dosage forms, strengths and recommended pack sizes⁴, 14 regional core list medicines (less metronidazole 200mg tab/cap and valproic acid 200mg tab/cap which were not listed in the Philippine National Drug Formulary) and a supplementary group of 22 medicines important to prevalent health problems in the Philippines based on the 2005 survey. Procurement prices were examined at DOH-retained, provincial and municipal hospitals in six of the seventeen regions of the Philippines.

Table 1. Regions (and major urban centers) surveyed.

Region	Major urban centre
National Capital Region (NCR)	Metro Manila
Region I	San Fernando City
Region IV-A	Calamba City
Region IV-B	Calapan City
Region VI	Iloilo City
Region VII	Southern Visayas; Cebu City

In addition, procurement prices were also obtained from one public non-DOH hospital in NCR, the Botika ng Lalawigan (Provincial Pharmacy) of Oriental Mindoro (BLOM) and centrally from PITC Pharma. Central procurement of DOH was not included since they procure very few of the medicines to be surveyed.

Procurement prices from 2008 were recorded for the originator brand product and the lowest cost generic equivalent product which was determined at each facility. Data was collected from a total of 5 DOH-retained, 6 provincial and 5 municipal hospitals, plus one public non-DOH hospital, BLOM and PITC Pharma (Table 2). Private sector procurement prices were not assessed.

Table 2. Type and geographical location of facilities surveyed.

Type of facility	Regions
DOH-retained hospital (n=5)	I, IV-A, VI, VII, NCR
Provincial hospital (n=6)	I, IV-A, IV-B, VI, VII
Municipal hospital (n=5)	I, IV-A, IV-B, NCR
Non-DOH hospital (n=1)	NCR
BLOM (provincial pharmacy)	IV-B
PITC Pharma (central agency)	NCR

Presentation of price information

The WHO/HAI survey methodology presents prices in local currency and as median price ratios (MPR). The MPR is calculated by dividing the local price by an international reference price (converted to local currency). An MPR of 1 means the local price is equivalent to the reference price whereas an MPR of 2 means the local price is twice the reference price. The international reference prices used for this survey were taken from the 2007 Management Sciences for Health (MSH) International Drug Price Indicator Guide⁵ (median prices of high quality multi-source medicines offered to developing and middle-income countries by different suppliers); the use of reference prices facilitates international comparisons.

⁴ Reflecting the global burden of disease, WHO/HAI Measuring medicine prices, availability, affordability and price components, 2008.

⁵ <http://erc.msh.org>

Interpretation of findings

Country specific factors such as pricing policies, market size, competition, national economic and other factors may influence prices. For the purposes of this surveys in a middle income country, an MPR of less than or equal to 1 for public sector procurement prices is considered to indicate acceptable (not excessive) prices.

Findings

National procurement efficiency

Combined public procurement operations at DOH-retained, provincial and municipal hospitals procure generic medicines at 2.9 times the international reference price (Table 3). When originator brands are procured, they are on average at 5.7 times international reference prices. Procuring an originator brand would on average cost 5.7 times more than procuring the equivalent generic medicine.

Table 3. Number of times more expensive: public sector procurement prices compared to international reference prices.

	OB	LPG
Median MPR (interquartile range)	15.7 (4.9 – 33.3)	2.9 (1.9 – 5.3)
Minimum	0.9	0.9
Maximum	79.3	40.8
No. of medicines	33	39

Procurement efficiency at different levels

DOH-retained hospitals were generally more efficient at procurement of medicines than provincial hospitals, and provincial hospitals more efficient than municipal hospitals (summary MPRs for generic medicines 2.2, 3.2 and 3.9 resp.; Fig. 1; Fig. 2). Corresponding MPRs for procurement of generics by the non-DOH hospital and BLOM were 4.4 and 1.9 respectively.

Figure 1. Number of times more expensive: generic medicine procurement prices compared to international reference prices (median and interquartile range).

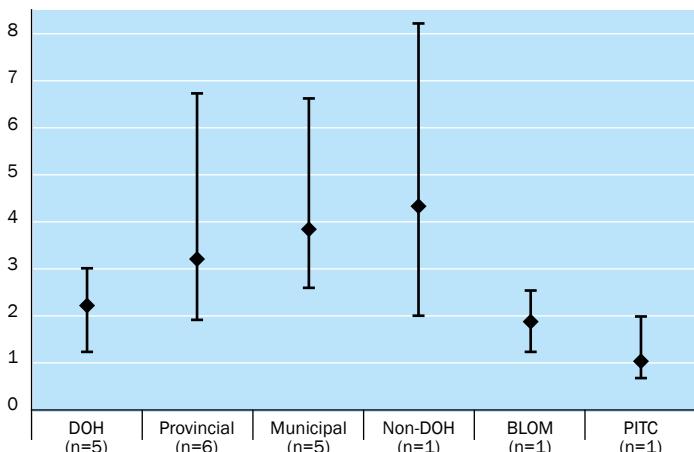
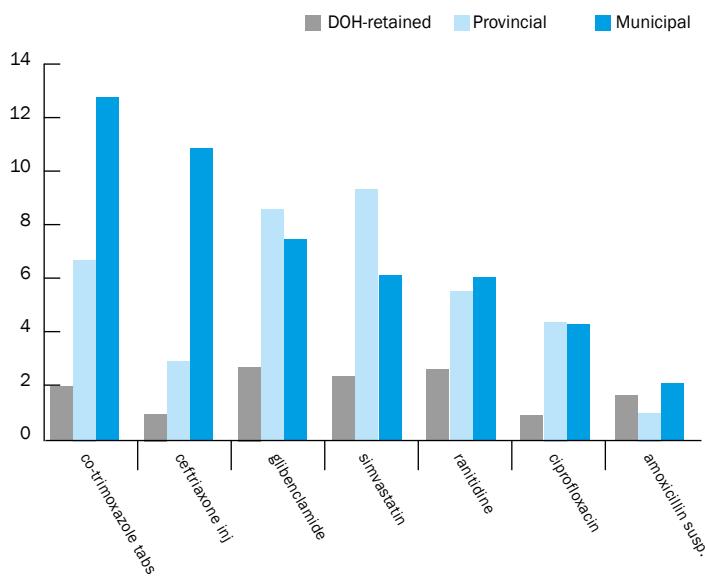


Figure 2. Number of times more expensive: selected generic medicines procured at DOH-retained, provincial and municipal hospitals compared to international reference prices.



Procurement prices of individual medicines

It was possible to procure generic essential medicines at prices comparable to those available on international markets. The lowest MPR observed was 0.3 (gliclazide tablets and cefuroxime injection). However, most procurement entities were procuring medicines at levels much higher than the reference prices. Across all facilities (excluding PITC Pharma), while insulin (generic and originator brand) was being procured at close to the international prices, generic medicines such as doxycycline, diazepam and fluoxetine were being procured on average at 13 – 40 times international prices (Table 4).

Table 4. Number of times more expensive: generic procurement prices compared to international reference prices.

Medicine Name	Median MPR	Min MPR	Max MPR
diazepam 5mg	39.5	9.4	62.3
doxycycline 100mg	13.0	1.7	73.2
enalapril 5mg	7.1	6.7	12.0
diclofenac 50mg	6.0	4.0	72.5
amlodipine 5mg	5.7	3.7	13.3
ciprofloxacin 500mg	5.0	0.7	33.1
glibenclamide 5mg	4.9	2.3	33.3
ranitidine 150mg	4.4	1.1	14.1
ceftriaxone 1g inj.	3.4	0.6	19.1
co-trimoxazole tablets	3.3	1.7	15.2
simvastatin 20mg	2.6	1.4	10.1
metformin 500mg	1.7	0.7	6.2
co-trimoxazole susp	1.7	1.2	7.2
insulin soluble 100iu/ml	0.9	0.7	2.8

Variability in procurement efficiency and procurement prices

There was extreme variability in the efficiency of public procurement of essential medicines. For example, procurement prices for generic amoxicillin 500mg capsules varied from 1.3 to 10.9 Pesos/capsule (Table 5). Greatest variability was seen with generic ciprofloxacin and doxycycline with maximum procurement prices more than 40 times the minimum (Table 4; Fig. 3).

Figure 3. Number of times more expensive: ciprofloxacin tablets procured at individual DOH-retained, provincial and municipal hospitals compared to international reference prices.

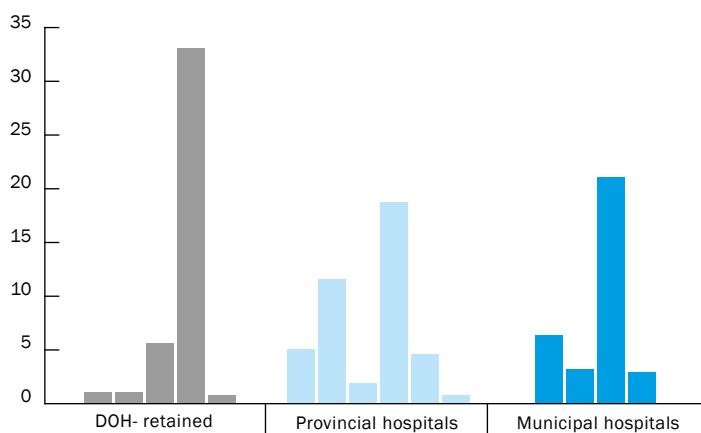


Table 5. Variation in actual procurement price at each procurement entity: generic amoxicillin 500mg tab/cap and ranitidine 150mg tab/cap.

Procurement entity	Region	Procurement price (Pesos)	
		amoxicillin	ranitidine
DOH-retained hospitals	I	2.5	-
	NCR	4.8	5.0
	IV-A	4.5	4.3
	VI	2.8	2.3
	VII	1.8	1.3
Provincial hospitals	I	4.5	1.6
	IV-A	7.1	16.2
	IV-B	2.9	-
	VI	1.5	8.0
	VI	6.5	5.7
	VII	-	-
Municipal hospitals	I	10.9	10.0
	NCR	5.0	5.0
	NCR	3.0	4.0
	IV-A	9.4	14.0
	IV-B	2.1	-
Non-DOH hospital	NCR	4.0	5.0
BLOM	IV-B	2.6	2.7
PITC Pharma	NCR	1.3	0.7

There were also cases of extreme variability in the efficiency of public procurement of the same item within the same hospital from one procurement cycle to the next (even within the same year). Some of these cases related to procurement of ‘branded-generic’ versions (generics made by particular companies and perceived to be of higher quality) compared to low-cost generic versions (Table 6), but other cases were variations between the same or different low-cost generic products. For example, in one hospital, the unit cost of generic ciprofloxacin 500mg tablets varied from P 7.9 to P 1.6 between two procurements while that for amoxicillin 500mg capsules changed from P 4.5 to P 2.3. The variations were unrelated to procurement volume.

Table 6. Actual procurement unit price for lowest cost generic equivalents compared to ‘branded-generic’ products at 3 facilities.

Facility	Medicine	Price (Pesos)	
		Lowest priced generic	Branded generic
1	Cefazolin 1g/ml inj	86	125
	Ceftriaxone 1g/ml inj	88	236
2	Cefuroxime 750mg/ml inj	22	349
	Omeprazole 20mg	8	51
3	Ceftriaxone 1g/ml inj	28	495
	Cefuroxime 750mg/ml inj	23	260

Implementation of procurement regulations

There were cases of different interpretation and implementation of acts and regulations on procurement between procurement entities e.g. negotiations with suppliers taking place after bidding had been completed, consignment contracts being preferentially offered to non-winning bidders and being used to procure ‘branded-generics’, unnecessary originator brands being procured to meet perceived needs of patients. Of more concern, however, were credible stories of corruption in bidding.

PITC Pharma procurement

PITC Pharma was able to procure low-cost generic essential medicines using its current structures, procuring generics on average at levels similar to the international reference prices (median MPR 1.0). PITC Pharma parallel imported originator brands are cheaper than locally available originator brand products and, in some cases cheaper than publicly procured generic equivalents. However, PITC Pharma was able to procure generic captopril at prices lower than that for the parallel imported originator brand (unit costs P 2.4 and P 6.7 respectively). Procuring generics is thus more advantageous for patients although probably less lucrative for PITC Pharma.

Revolving funds

2 DOH-retained hospitals operated revolving drug funds (RDFs) to support procurement of medicines. They tended to have higher prices for generic medicines (MPRs 2.1 and 3.7) compared to those without an RDF (MPRs 1.1, 1.8, 2.0) thus leading to higher costs for patients. This was also true at the non-DOH hospital which ran an RDF (generic MPR 4.4).

Recommendations of the investigators

Improving transparency and governance in public procurement practices

- Institute a reliable system of regularly monitoring procurement prices at all levels; and actively share this information between health facilities to improve price transparency and price awareness.
- Randomly audit adherence to the Procurement Reform Act by competent and skilled persons.
- Provide appropriate training and capacity building for municipal authorities to effectively implement efficient procurement.
- Further investigate the variation seen in procurement prices and the factors that contribute to this.

Financing of medicines

- Increase public funding of hospitals, pursuant to efficient procurement, to cover medicine needs of inpatients and outpatients.
- Improve accountability of local government units on allocation and use of resources for the provision of medicines with active monitoring by Civil Society
- PhilHealth should develop relevant benefit packages which include the provision of outpatient medicines and use its “buying power” to control the costs of medicines used in treating its beneficiaries.

More efficient methods of medicines procurement

- PITC Pharma (or another centralized public procurement agency) should prioritize procurement of quality generic medicines for the public sector and limit purchase of on-patent medicines to cases based on clear criteria of public need.
- Investigate the operation of revolving funds for the procurement of medicines and their impact on availability and price compared to best practice procurement models (i.e. current well-performing, efficient procurement entities).
- Investigate mechanisms whereby municipal authorities could participate in pooled procurement at a regional, provincial level or national level.

Assuring quality and dealing with interchangeability issues

- The Bureau of Food and Drugs (BFAD) should rigorously apply standards of current Good Manufacturing Practice (cGMP) to all manufacturers providing medicines for the Philippines market.
- BFAD should set clear standards and requirements on the interchangeability of originator brand and generic products and publish information about interchangeable products on the market.
- BFAD should enhance its postmarketing surveillance system to monitor quality of medicines and take strong regulatory actions when poor quality medicines are found in anywhere in the supply system.

Further information, contact the survey manager:

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The full survey report and data can be found at:
www.haiweb.org/medicineprices