

A STUDY ON FACTORS INFLUENCING DRUG PRICES AMONG NATIONAL PUBLIC HOSPITALS

A scorecard was developed to gauge how each hospital is fairing in compliance with the operational and strategic principles of the **World Health Organization's Operational Principles for Good Pharmaceutical Procurement**. There are 12 principles—the 10 operational principles are based on the 2 strategic principles. They are relevant to any drug supply system.

Through the checklist used in data collection, the national GPP scores were gathered from **57 government hospitals**. Aside from the checklist, a specific committee or person-in-charge has been identified to guide the Department of Health's Pharmaceutical Division or each hospital in policy implementation to improve the Drug Management System.

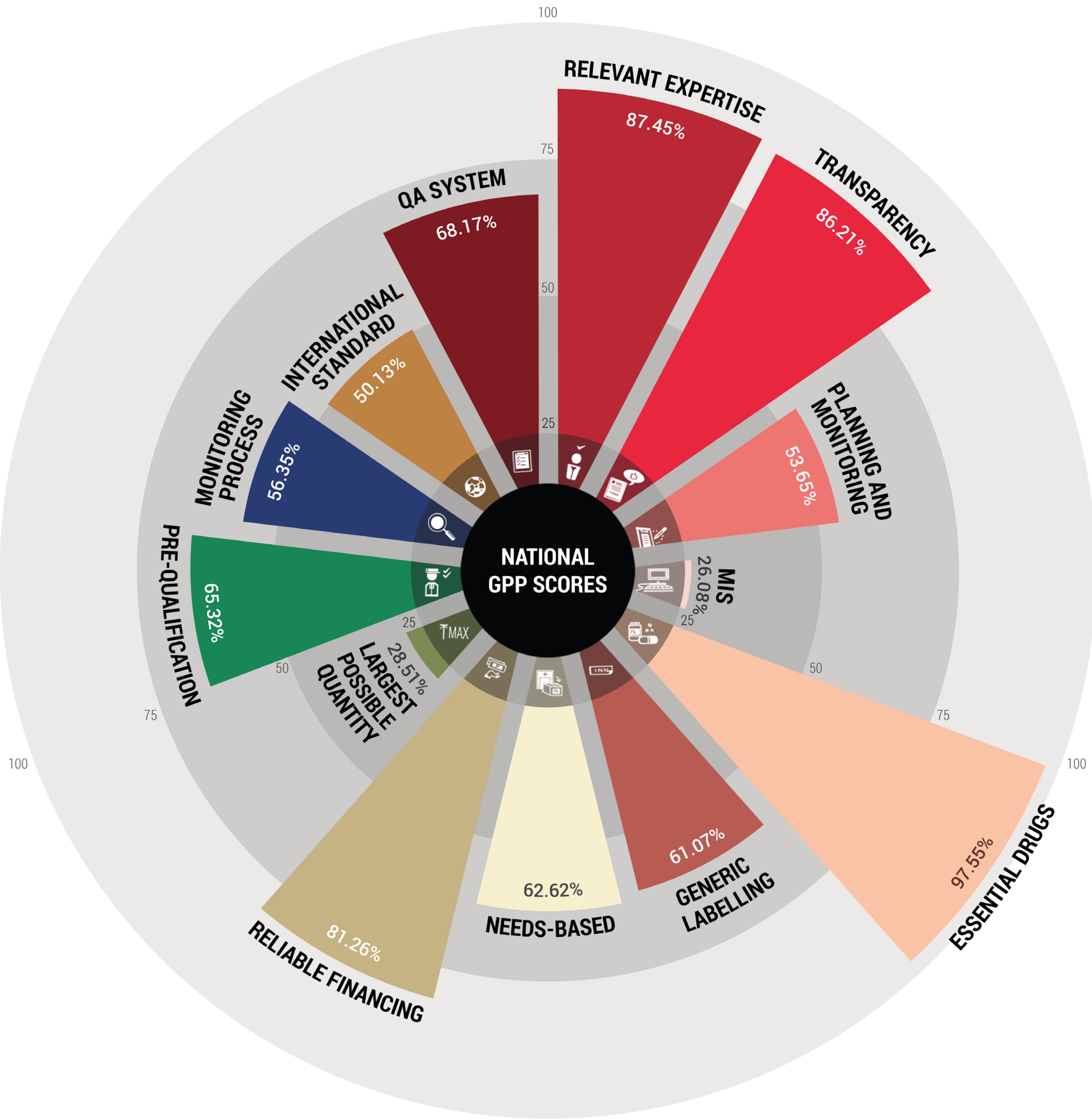
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Wong, J., Apostol, G., Modina, C., Bagas, J. 2017. November 20, 2017. A Study on Factors Influencing Drug Prices. Unpublished manuscript, A Study on Factors Influencing Drug Prices. EpiMetrics Inc., Philippines.



SCORECARD CHECKLIST (based on WHO's GPP)				Committee/Person-In-Charge
STRATEGIC PRINCIPLES				
1	Procure most cost-effective drugs in the right quantities	The hospital has a list containing the essential drugs		Drugs and Therapeutics Committee
		There is an existing protocol to estimate drug quantities		
		The hospital bases the list of essential drugs on the Philippine National Formulary (PNF)		Bids and Awards Committee
		The procurement procedures are formally written		
		The hospital uses a criteria to make procurement decisions		
There is an existing inventory of drug stocks		Chief Pharmacist Warehouse Officer		
2	Select reliable suppliers of high quality products	The hospital has a list of preselected reliable suppliers		Drugs and Therapeutics Committee
		The innovator brands are monitored		
		The hospital purchases innovator brands with no generic counterparts yet		Bids and Awards Committee
		The hospital has an existing M&E evaluation system		
The hospital has a monitoring system for suppliers				
The hospital uses a program to actively monitor and test products for quality assurance				
OPERATIONAL PRINCIPLES				
1	Functions and responsibilities are divided among different offices with appropriate expertise	Percent with Active Drug Therapeutics Committee (evidenced of minutes of meetings)		Drugs and Therapeutics Committee
		There is an existing committee to define drug specification		
		The hospital's BAC is composed of Heads of Offices		Bids and Awards Committee
		The hospital's BAC is composed of a Technical Staff		
2	Transparent procurement procedures	The tender process is open to public		Bids and Awards Committee
		The tender results are open to public		
		Bidders have access to info on suppliers and prices for winning contracts		
		Health personnels have access to info on suppliers and prices for winning contracts		
		The public has access to info on suppliers and prices for winning contracts		
		The hospital does therapeutic class tendering for branded products		
		The hospital's funds are disclosed to bidders		
3	Procurement is planned properly and procurement performance is monitored	There is an existing system to order drugs		Bids and Awards Committee
		Uses MIS to track the number of procurement orders		
		Uses MIS to track the status of procurement orders placed		
		There is a drug management information system (MIS)		
		Uses MIS to track the payments made		
		Uses MIS to compile the information for supplier monitoring		
		Uses MIS to track the status of payments		
		Uses MIS to track the actual number of quantities purchased vs. orders placed		
		Uses MIS to track the drug purchases from non-contract suppliers		
		Uses MIS to track the purchases from all contract suppliers		
		There is a drug management information system (MIS)		
		Uses MIS to track the status of procurement orders placed		
		Uses MIS to track the number of procurement orders		
		Uses MIS to track the status of payments		
		Uses MIS to track the payments made		
		Uses MIS to track the purchases from all contract suppliers		
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Uses MIS to track the drug purchases from non-contract suppliers				
Uses MIS to track the purchases from all contract suppliers				
The hospital reports regularly on chosen key procurement performance indicators				
The hospital reports on planned versus actual items and quantities purchased				
The hospital reports on prices obtained versus average international prices				
The hospital reports on average supplier lead-time and service level				
The hospital reports on percentage of key drugs in stock at various levels of your supply chain				
Procurement committee undergoes yearly audit				
4	Procurement and tender documents should list drugs by their generic name	All drugs in the documents are labeled under generic		Bids and Awards Committee
		Brand names are mentioned in documents		
		Innovator brands are labeled under generic		Chief Pharmacist Warehouse Officer
		All drugs in the documents are labeled under generic		
Innovator brands are labeled under generic				
5	Order quantities should be based on reliable estimate of actual need	Uses past consumption as data to select drugs		Drugs and Therapeutics Committee
		Uses morbidity and mortality as data to select drugs		
		Uses level of services given by hospital as data to select drugs		
		Adjusts for seasonal/weather factors as data to select drugs		
		Uses patient demographic and attendance as data to select drugs		
		Uses doctor's prescribing patterns as data to select drugs		
6	Financial constraints: mechanism of priority setting	Procurement cycle coincides with the availability of funds		Bids and Awards Committee
		There is a mechanism of prioritization of drug procurement when there is a lack of funds		Chief Pharmacist Warehouse Officer
7	Mechanisms for reliable financing for procurement	Pay upon delivery of drugs	Regularity of funds disclosed prior to procurement	Bids and Awards Committee
8	Checks and balances	User representatives present during major procurement decisions		Drugs and Therapeutics Committee
9	Procurement should be effected in the largest possible quantities to achieve economies of scale	The hospital is part of purchasing group		Drugs and Therapeutics Committee
10	Prospective suppliers should be pre-qualified, and selected suppliers should be monitored	There is a system to seek out potential new suppliers		Bids and Awards Committee
		The system includes reputation before bids are solicited		
		The process includes reference checks with past clients and international agencies		
		The process includes test purchases in small quantities		
		There is a system to evaluate suppliers		
		The process includes informal local information-gathering		
		The system includes capacity before bids are solicited		
The process includes formal registration				
There is a system to track partial shipments				
There is a process to track compliance to terms				
11	Formal monitoring of suppliers	There is a process to track remaining shelf-life of procured drugs		Bids and Awards Committee
		There is a system to track compliance with packaging and labels		
		MIS tracks info about each supplier		
		There is a cumulative file for supplier		
		MIS tracks chronologically number and value of PO		
		The file contains registration papers		
		MIS tracks total purchases from supplier yearly		
The file contains copy of references				
MIS tracks performance of the supplier for each tender				
The file contains copy of special correspondence				
There is a program for product defect reporting				
The file contains a copy of complaints				
The file contains post-qualification procedure to evaluate suppliers				
12	Procurement procedures/systems should include all assurances that drugs purchased are of high quality, according to international standards	The hospital does quality control testing		Bids and Awards Committee
		There is a protocol on handling poor quality products		
		The shipments for drugs are with receipts		Chief Pharmacist
		There have been cases of product recalls		
		Receipts are cross-checked		Warehouse Officer
		Product defect is recorded in the system of the hospital		
		There is a system to report potential problems with poor product quality		
		The system includes pre-printed forms		
		There is an individual or group that assesses reports on product quality		
		There is action taken with feedback for product defects/quality		
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National Compliance with WHO's Principles for Good Pharmaceutical Procurement

The chart below indicates national scores in each of the GPP. A large and even circle would indicate 100% compliance rate on all GPP indicators.



INDICATORS OF GOOD PHARMACEUTICAL PROCUREMENT

The ideal state is to have a large and even circle of scores.

	<b>RELEVANT EXPERTISE</b> Different procurement functions and responsibilities should be given to the office or party with relevant and appropriate expertise.		<b>NEEDS BASED</b> Estimates on actual need should provide the basis for drug orders.
	<b>TRANSPARENCY</b> Procurement procedures should be transparent and should follow formal written procedures while using explicit criteria in awarding contracts.		<b>RELIABLE FINANCING</b> Mechanisms to ensure reliable financing for procurement should be present.
	<b>PLANNING AND MONITORING</b> Procurement should be planned properly and procurement performance monitored regularly.		<b>LARGEST POSSIBLE QUANTITY</b> Procurement in both centralized and decentralized systems should be done in the largest possible quantities to achieve economies of scale.
	<b>MIS</b> There is a drug management information system (MIS) to monitor procurement orders, payments, suppliers and deliveries.		<b>PRE-QUALIFICATION</b> Prospective suppliers should pre-qualify.
	<b>ESSENTIAL DRUGS</b> Public procurement should be limited to an essential drugs list in the formulary.		<b>MONITORING PROCESS</b> Qualified suppliers should be monitored through a process that considers product quality, service reliability, delivery time, and financial viability.
	<b>GENERIC LABELLING</b> Procurement and tender documents should list drugs by their International Nonproprietary Name (INN) or generic name.		<b>INTERNATIONAL STANDARDS</b> Procurement procedures should assure that the drugs purchased are of high quality, according to international standards.
			<b>QA SYSTEM</b> Quality assurance.