



EpiMetrics, Inc.

**A Study on Factors Influencing Drug
Prices among National Public Hospitals**

EXECUTIVE SUMMARY

Abstract

Essential medicines that meet the health needs of the population should be available and accessible at all times, in the appropriate dosage forms, and at prices affordable to all. However, in the Philippines, medicine purchase continues to make up a big chunk of out-of-pocket expenditures, especially among the poorest quintile, and drug procurement remains to be a problem. This project looked into factors influencing drug prices among Philippine public hospitals that can aid decision-makers in minimizing these inter-hospital variation in drug prices.

Results of the study revealed a spectrum of factors influencing hospital mark-ups, including hospital level, distance from the population center, compliance with procurement guidelines set out by WHO, expertise of human resources with regards to procurement planning, adherence to the generics law, availability of indicator drugs, and distribution issues from the warehouse and pharmacy. When analyzed further, it was found that recommendations directed to the three main policies that affect the Drug Management Cycle may address these factors.

First, the Drug Price Reference Index (DPRI) should be tailored to the location (e.g., having a regional DPRI) and hospital category in order to allow for flexibility in the procurement process and decrease failed biddings. Second, a stricter implementation of R.A. 9184 or the Government Procurement Reform Act (GPRA) must be enforced given that as much as 30% of hospitals only use past consumption for procurement planning, disregarding other useful indicators for proper forecasting. GPRA guidelines must be reviewed and revised to include measures that will prevent supplier collusion and to explore alternative modes of procurement other than public bidding. Lastly, the Generics Law should include provisions to incentivize generic drug procurement, as there are still hospitals that procure 100% branded drugs.

Executive Summary

A. Introduction

Essential medicines are medicines that meet the health needs of majority of the population. They should be available and accessible at all times, in the appropriate dosage forms, and at prices affordable to all. The Philippine National Drug Policy (PNDP) is a response to ensure the provision of good quality, essential medicines to the people. However, issues remain. Medicine purchase accounts for a significant portion of out-of-pocket expenditures for people, including those from the lower-income sector that the PNDP intended to serve. Although the Philippine Health Insurance Corporation (PhilHealth) reimburses inpatient medicines listed in the Philippine National Drug Formulary up to a ceiling, PhilHealth does not reimburse medicines for outpatient treatments. This study aims to determine the factors associated with the variation in drug pricing among national public hospitals.

B. Methods

The study employed a case-control study design, with a study population of 57 national public hospitals. It is a mixed-method approach across levels. The sample is representative of all levels, regions, and specialty; it also included nine hospitals under GIDA. Six specialized hospitals (10.5%) were also included, the rest being general hospitals. With regard to the distribution in regions, NCR contains the highest percentage of hospitals (22.8%), followed by Region VII with 6 hospitals (10.5%) and Region III with 5 hospitals (8.8%). Univariate, bivariate, and multivariate tests were done to analyze the data.

C. Results and Discussion

Sixty percent of hospitals were found to have a Price Ratio (PR) >1 and were procuring 6.44 times higher than the Drug Price Reference Index (DPRI). Factors that were significantly associated with PR>1 include: lack of proper procurement planning, propensity towards alternative modes of procurement (over competitive tender), and location in a GIDA. Hospitals were found to impose a 40.2% median retail price markup. Higher retail price markups of drugs were associated with a lower level of hospital operations, preference for branded over generic drugs, limitations in storage and uncoordinated distribution of drugs.

The study was also able to describe the process of drug management in national public hospitals and how they fare with the WHO GPP Principles through the conducted KII and administered GPP Checklist. Key stakeholders involved in deciding drug prices in hospitals were also identified.

D. Conclusions and Recommendation

Factors with significant relationship to the price ratio are: [1] being a GIDA hospital, [2] properly planning procurement, and [3] availability of indicator drugs. On the other hand, factors relating to the hospital's mark-up are [1] the hospital's levels, [2] their distance from the centroid, [3] their compliance to the World Health Organization's Good Procurement Practice principle on Quality Assurance, [4] the relevance and expertise of their procurement staff on procurement functions, [5] % of generic drugs that they procure, and [6] time out of stock of the indicator drugs. Results also revealed that certain parts of the drug management cycle such as distribution both from warehouse and pharmacy were related to the mark-up.

The policy recommendations are directed to the three main policies that affect the Drug Management Cycle namely: the Drug Price Reference Index (DPRI), the Government Procurement Reform Act (GPRA), and the generics law. Future research should be done to include the "use" stage of the Drug Management Cycle and factors that influence drug prices in the supplier side.

- (1) The DPRI should be volume-weighted and should be categorized per region. Moreover, hospitals within a GIDA region should have its own DPRI to contextualize procurement in hospitals, to allow flexibility, and to decrease failed biddings.

- (2) The GPRA should develop specific policies for hospitals to actively seek the involvement of end-user unit in procurement, create guidelines and protocols for hospitals to prevent and protect them from unlawful acts, explore alternative modes of procurement other than public bidding, and allow hospitals procuring in bulk to schedule deliveries.
- (3) The Generics Law should be strengthened and advocated in all hospitals, crafting stricter policies on its implementation. The DOH should also create more incentives for hospitals that do not procure any branded drugs. Other policies by regulatory agencies should also be improved to allow more suppliers for generic drugs to enter the local market; introducing more competition will also lower the prices of drugs.

Furthermore, data collection should include a larger sample size to allow for logistic regression and further data analysis should be done to evaluate the factors affecting individual drugs in the basket instead of pooling scores into one in each hospital.