

GHANA: Improving Pharmaceutical Procurement and Distribution in the Mission Sector

Problem: The Catholic Department of Health operates the Catholic Pharmaceutical Service (CPS) which manufactures, procures, and distributes essential medicines to Catholic and non-Catholic mission health facilities through its diocesan hospital pharmacies (DHPs). The 2001 SEAM assessment found that most institutions affiliated with the CPS faced challenges in pharmaceutical procurement including high acquisition costs and selling prices due to small-volume purchasing; inefficient quantification and inventory management processes leading to stock-outs, expiry of items, and high inventory holding costs; and a lack of capacity to determine the quality of products supplied to clients.

Strategy for Change: SEAM helped CPS achieve better pricing and service by establishing a system of pooled procurement of pharmaceuticals and improved inventory management and distribution operations. The challenge was to persuade independent stakeholders in a completely decentralized system to agree to a central, coordinating procurement authority mandated by the stakeholders themselves. This challenge was met through a consultative and consensus-building process. Key actions in creating and implementing the strategy included the following—

- Secured buy-in by institutional stakeholders (DHPs, hospitals, and clinics) through a series of information sharing and consensus-generating meetings and seminars
- Secured national-level “clearance” from the Catholic Department of Health to facilitate collaboration at the diocesan and institutional levels
- Obtained commitment from five DHPs and 60 percent of all Catholic hospitals and clinics to procure medicines through the pooled procurement system
- Developed financial management guidelines and a sustainable business plan for the CPS
- Developed standard operating procedures for inventory management, quantification, and procurement/tendering
- Provided business and pharmaceutical management software, computers, printers, and MIS training to CPS and the five DHPs
- Conducted training in business and entrepreneurial skills for selected hospital and clinic staff, introducing the important role of business principles in charitable/nonprofit organizations
- Provided training in quantification and inventory management to staff at CPS and the five DHPs
- Prequalified suppliers

Results: The program evaluation measured CPS impact on the quality of products and services, essential medicines availability and affordability (prices) at Catholic clinics and hospitals, and client and household perceptions of the products and services provided. SEAM gathered evaluation data before (2002) and after (2004–05) the intervention.

Availability of Essential Medicines

- Availability of essential tracer medicines increased at the DHP level (73–81 percent) compared to Government regional medical store (RMS) (96–87 percent). Availability at both Catholic facilities (89–86 percent) and government hospitals (94–91 percent) was maintained.
- At the facility level, overall, the number of tracer items experiencing stockouts increased, but the Catholic facilities experienced fewer stock-outs (29–40 percent) compared to government health facilities (25–50 percent).

Affordability of Essential Medicines

- The two pooled procurements carried out recorded 20 percent and 48 percent cost reductions, respectively, for 20 and 50 products.
- Though the pooled procurement had a positive impact on mission sector costs, the savings did not get passed through the various supply levels to the patients attending Catholic facilities.

Quality of Essential Medicines

- Endline assessment of quality based on products approved for marketing by the government showed that 87 percent of the DHP products were approved, compared to 65 percent of the RMS products.
- Catholic facilities had 76 percent registered products on shelves, compared to 72 percent at government hospitals.

Activity update (February 2007): The Catholic Pharmaceutical Services of the Ghana Catholic Department of Health has continued to provide procurement services for the Catholic hospitals and clinics in Ghana. The third tendered procurement in 2005 included 52 items with one international and 11 local suppliers participating. The tender generated savings of 39 percent. CPS was not able to organize a 2006 tender due to financial constraints.

It is important to note that after the SEAM Ghana country activities ended and our office closed, the SEAM Program staff member responsible for coordinating the Ghana mission sector activities was hired by the Catholic Pharmaceutical Services to continue work on some of the activities initiated under SEAM.

Next steps:

- Review and adjust the business model for pooled procurement services through CPS to ensure long-term sustainability of the activity.
- Negotiate with Diocese officials for funding to initiate and sustain a pooled procurement program covering a full range of items needed by affiliated institutions (once fully functional, the affiliated institutions would pay the ongoing costs associated with their participation, while this pool would serve as a reserve fund).
- Harmonize standard treatment guidelines and pharmaceutical and medical supply lists of Diocesan hospitals and clinics.
- Strengthen inventory, forecasting, and quantification procedures at affiliated institutions.
- Develop and implement a marketing plan for pooled procurement services offered by CPS that targets affiliated institutions; alternatively, advocate for the Diocese to mandate affiliated institutions to purchase through CPS.
- Review the need and advisability of small scale, in-hospital production of finished products, especially those that may pose a safety risk due to sterility problems or contamination (e.g., intravenous fluids, ophthalmic preparations).
- Review the existing distribution policy and select the most appropriate option for delivering purchased products directly to purchasing institutions.

Key Lessons Learned: Consensus building and buy-in by key stakeholders are crucial to the acceptance and sustainability of the pooled procurement program. Other lessons include—

- To integrate a pooled procurement program into an existing structure, critical human resource capacity needs to be in place.
- Tender results from 2003–2005 demonstrated that a pooled procurement program can produce economic benefits to its constituent institutions, but this alone does not guarantee that constituents will pass savings from the tender to the patient.
- The central procurement unit should have adequate funds independent of the purchasing institutions to initiate and sustain a pooled procurement program of a full range of items.
- Central procurement unit pricing disadvantages for non-pooled items have the tendency to erode confidence in the central unit's ability to serve purchasing institutions as a sole supplier. Competitive pricing at the institutional level must be addressed, as well as working capital constraints.
- Problems arise when purchasing institutions view the central procurement unit as an alternative supplier rather than as a program partner.
- Persistent stock-outs of critical items cause institutions to question the viability of sole sourcing from the central procurement unit, again, undermining confidence.
- Forecasting requirements within the pooled procurement environment is very difficult, and inaccurate or less-than-firm commitments by the purchasing institutions can threaten the sole-sourcing principle.
- Timely and cost-efficient distribution of stock from the central procurement unit to the purchasing institutions needs to be part of the overall strategy. Requiring purchasing institutions to pick up their orders from a central point may discourage them from participating in the pooled procurement program.