



Pooled Procurement of Essential Pharmaceuticals for Decentralized Health Services in El Salvador

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In El Salvador, public health care services are being restructured into a network of 30 hospitals and 28 Basic Integrated Health Systems (SIBASI) including 362 health facilities. Although the Ministry of Health centrally procures SIBASI supplies, hospitals procure their medicines separately. Based on an assessment by Management Sciences for Health's Strategies for Enhancing Access to Medicines Program in 2001, the Ministry of Health (MoH) decided to implement a new procurement and distribution system for its decentralized hospitals and health facilities.

The new model for the procurement and distribution system is based on (1) conducting joint annual tenders for products in the national essential medicines list, and (2) contracting a commercial distributor to manage the inventory and distribution to the public sector network. The pooled procurement program has been implemented, but plans to contract a commercial distributor for logistics services have been suspended due to political and administrative barriers, insufficient supply chain management capacity, and changes in the MoH.

The MoH and decentralized hospitals have held three annual joint tenders since November 2002. For a set of 128 essential medicines, median unit prices decreased from USD 1.39 in 2001 (before the pooled procurement program) to USD 0.77, USD 0.77, and USD 0.82, respectively, for 2003, 2004, and 2005 medicines. Compared to the 2001 unit prices, median unit price differences were -36.6% for 2002 medicines, -33.5% for 2003 medicines, and -32.3% for 2005 medicines. In the first tender, 382 products were procured, with overall product acquisition cost reductions of USD 4,797,047, or 18.6% of the estimated costs based on 2001 prices. The second tender resulted in an overall product cost reduction of USD 557,422, or 4%, based on the previous tender's prices. Unit prices increased in the second and third tenders due to added costs of supplier deliveries to 35 and 36 sites (30 hospitals and regional medical stores) for 2004 and 2005 supplies.

The program's quality assurance measures resulted in the rejection of 3.8% and 3.2% of received lots in 2003 and 2004, respectively. As of May 2005, the quality assurance program has rejected only 5 of 656 (0.8%) lots.

Decentralized health systems may achieve significant product acquisition cost reductions and improvements in product quality assurance through a pooled procurement program.