

SEAM Ghana

Pooled Procurement in the Catholic Mission Health Care System

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Background

Institutions affiliated with the Catholic Health Service (a nonprofit health care system) are estimated to provide health care to at least 25–30 percent of the Ghanaian population. These institutions have decentralized, autonomous organizational and management structures, and therefore use different approaches and sources for procurement, including the open market, Catholic drug depots, and government agencies. These unpredictable purchasing patterns typically are not cost-effective. SEAM Ghana and the Catholic Health Service agreed that pooling the institutions' resources would result in decreased costs, and began working to conceptualize and develop new pooled procurement structures that would make it possible to deliver medicines to clients at more affordable prices.



The Product

The consultative process resulted in a new operational model for the Catholic Health Service whereby (1) funds move from the independent institutions to a central revolving drug account and (2) the newly formed Catholic Pharmaceutical Service (CPS) procures pharmaceuticals through tender and distributes them through the zonal DHPs to individual institutions.

This operational model is expected to deliver the following outcomes—

- Increased access to medicines
- Assured lowest possible prices for medicines
- Highest-quality products
- Reduced stock-outs of essential medicines
- Improved forecasting of pharmaceutical requirements
- Improved inventory management practices

Progress

Procurement of pharmaceuticals within the CPS has been transformed. With 20 products, CPS has demonstrated that major cost savings can be derived from using pooled procurement and formalized procurement procedures (competitive bidding). A 20-percent cost reduction was made in the first tender for the 20 selected items.

In addition, a number of processes have been developed within the CPS to improve efficiency of operations—

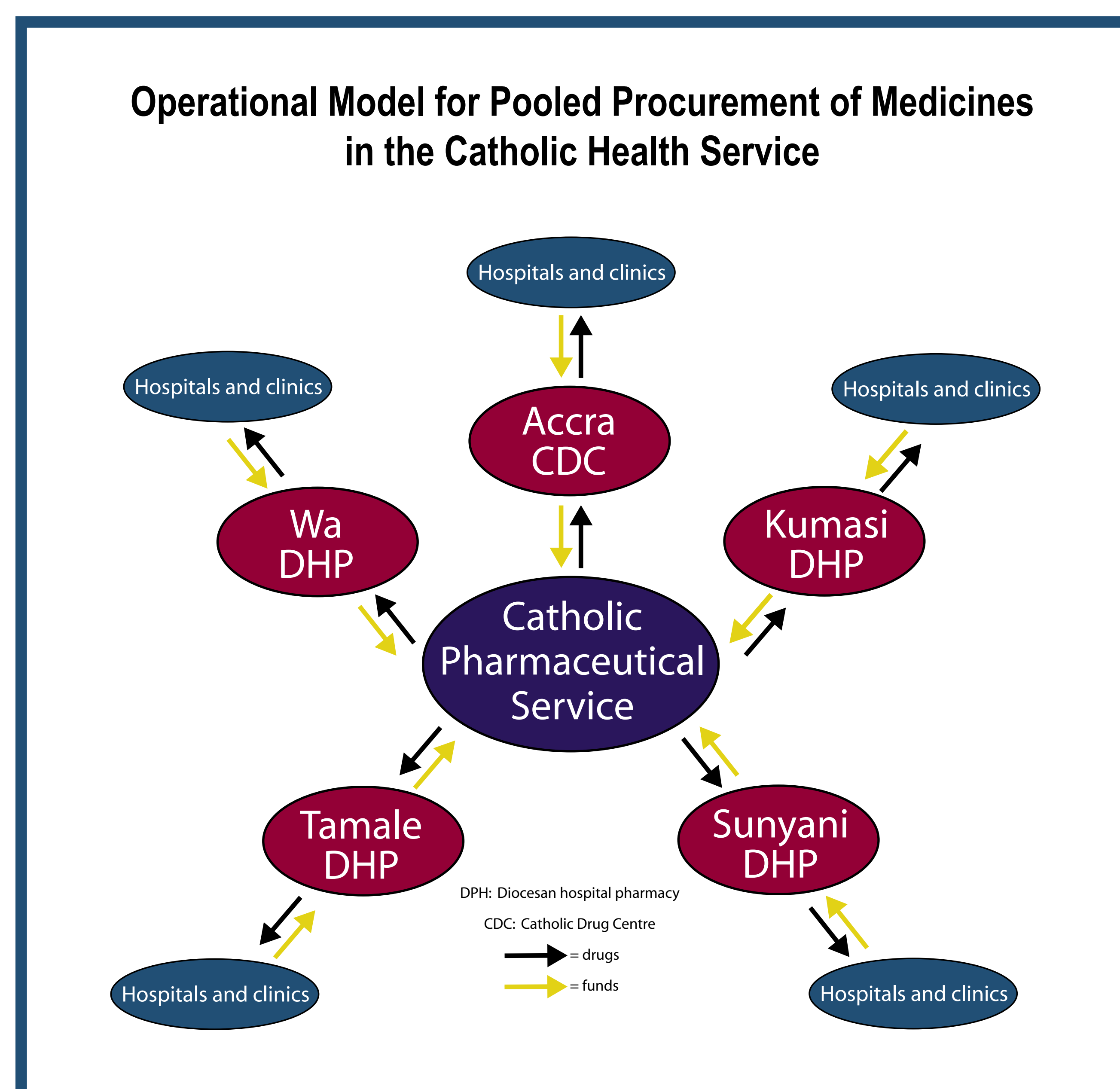
- National and zonal structures for pooled procurement have been set up to facilitate the process of selecting drugs for tender, forecasting drug requirements, and procuring and distributing drugs.
- A system has been developed for prequalifying suppliers based on their quality of products, financial status, and delivery capabilities.
- A revolving drug fund has been established with capitalization from the participating DHPs to ensure the sustainability of the pooled procurement system.

Program Development

The Problem

The SEAM Ghana assessment found that most institutions affiliated with the Catholic Health Service faced the following challenges in pharmaceutical procurement—

- High acquisition costs and selling prices due to small-volume purchasing
- Nonavailability of some essential drugs: on average, availability was 70 percent, with 10 percent of essential drugs out of stock
- Inefficient inventory management processes leading to stock-outs, expiry of items, and high inventory holding costs
- Lack of capacity to determine the quality of products supplied to clients



The Process

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. The challenge was met through a consultative and consensus-building process—

- Buy-in by stakeholders (diocesan hospital pharmacies [DHPs] and institutions) was secured through a series of meetings and seminars.
- National-level "clearance" was secured from the Catholic Health Service to facilitate collaboration at the diocesan and institutional levels.
- Five DHPs and 60 percent of all Catholic hospitals and clinics committed to procure medicines through the pooled procurement system on a sole-source basis.
- Training in business and entrepreneurial skills was conducted for selected key hospital and clinic staff, introducing the important role of business principles in charitable/nonprofit organizations.
- Training in inventory management was provided to staff at DHPs.

- Formal procedures have been developed for pooled procurement operations and set out in a procurement procedures manual, standard bidding documents, and financial management guidelines.
- Standard operating procedures were established for inventory management, and forms for data capture and monitoring were developed.
- A decentralized distribution strategy was developed.
- The Tamale DHP, which was previously a developmental concept, has been made operational through SEAM Ghana activities. In addition to enabling the Catholic Pharmaceutical Service to reach a greater number of hospitals and clinics, the incorporation of the Tamale DHP has strengthened the network by allowing for a more rational geographic distribution pattern.



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