

Civil Society Manual on Drug Procurement Monitoring and Evaluation

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PART 1

Introduction

This manual provides simple and practical methods on how civil society groups can monitor and evaluate the Department of Health's drug procurement program. The methods are kept simple by concentrating on relevant procurement activities where monitoring and evaluation are most applicable and needed. They are likewise made practical by supplying the indicators and the sample reference documents on which the indicators are based.

Through this manual, the civil society can hopefully contribute in the effective and efficient delivery of drugs to the public. Hence, health sector reform is advanced in at least one of its important aspects, namely drug procurement.

How to Do Monitoring and Evaluation

Monitoring and evaluation support program management by ensuring the adherence of the implementation activities to the plan. Monitoring, however, must be distinguished from evaluation.

Monitoring reviews and examines the program while it is being implemented. Problems can be immediately detected and corrected during the implementation stage based on monitoring findings.

There are at least three ways to undertake monitoring:

1. actual observation or "watching" of procurement activities;
2. keeping track of time-schedule for relevant stages; and
3. obtaining copy of pertinent documents for verification and study.

Civil society groups are allowed and encouraged to **act as observers** during meetings or conferences regarding program implementation. These include planning workshops, pre-procurement or pre-bid conferences, bid opening, among others. In the course of these activities, the monitors get to see the process and check whether or not the implementors follow it correctly.

Monitoring also takes the form of **inquiry on the progress** of program implementation based on the calendar of procurement activities. It anticipates crucial activities or those that usually experience bottlenecks. These include advertisement, qualification and post-qualification, issuance of PO and making deliveries and distribution. Civil society monitors' inquiries and follow-up calls, on the one hand, remind the implementors about schedules. On the other hand, the monitors get informed about possible delays and the reason therefor.

Finally, monitoring can also make use of **documents** produced from certain stages, such as planning, awarding of contract, purchase and distribution. They can be used as

reference to verify outputs against commitments. They can, moreover, be filed and organized for review and study later.

Evaluation is done after program implementation. It validates the success or failure of the program according to desired outputs. Its findings can be used for future planning and policy development.

Evaluation should be based on reliable data, which may be primary or secondary. Documents from relevant stages and interviews with key informants are the sources of primary data while review of related literatures provides secondary data. The drug procurement program may be evaluated in terms of rationality, time and cost efficiency of the purchases, and consistency between planning and implementation.

How to Use the Manual

This manual takes off from the DOH monitoring experience of the G-Watch Project. It also takes into consideration some procurement reforms, which are currently being introduced in the DOH based on Executive Order 40.

PART 2

DOH Units with Drug Procurement

There are three main DOH units with drug procurement:

1. Central Office,
2. Regional Offices or Centers of Health Development (CHDs), and
3. Retained Hospitals.

Each of these units independently implements their procurement procedures and has their own Bid and Awards Committee.

Under these units are **end-user programs**. Each program has their own required set of drugs and the different sets are consolidated into a procurement plan by each of these units.

The **Central Office** has at least six sub-units with end-user programs, namely:

- a. Office of the Secretary,
- b. Health Emergency Management Service,
- c. Doctor to the Barrios (under Health Human Resource Development Board),
- d. Center for Infectious Disease (under the National Center for Disease Prevention and Control),
 - Anti-TB
 - Vaccines
 - Malaria
 - Schistosomiasis
- e. Degenerative Disease Office (under the National Center for Disease Prevention and Control), and

- f. Family Health Office (under the National Center for Disease Prevention and Control).

In the **CHDs**, two divisions may get involved in drug procurement, namely:

1. Health Operations Division, and
2. Local Health Assistance Division.

For **retained hospitals**, drugs supply is centralized in the pharmacy. The pharmacy collects list of drugs needed from various departments in the hospital.

Fund Sources

The funding for **Central Office's** drug procurement may come from at least two sources, namely:

1. Government Fund
2. Foreign Fund (e.g., World Bank, UNICEF)

The **CHDs** get their budget for drugs from:

1. Budget allotment from the national government. The Department of Budget and Management releases it with the recommendation from the DOH Central Office.
2. Development funds of the President, Senator or Congressman, among other donations.

The **retained hospitals'** budget for drugs is mainly sourced from the hospitals' so-called "trust fund" or revolving fund. Unlike the Central Office and the CHDs, hospitals sell their drugs and can even put as high as 20% price mark-up.

Modes of Procurement

Public bidding is the prescribed mode of procurement for large procurement or those that cost P1M and higher. In exceptional cases, alternative modes may be resorted to. These alternative modes include:

1. Limited Source Bidding (Selective Bidding)
2. Direct Contracting (Single Source Procurement)
3. Repeat Order
4. Shopping
5. Negotiated Procurement
6. Direct Procurement through Parallel Importation

Components of DOH's Drug Procurement Process

The drug procurement process involves four key components:

1. **Office-** is that which is responsible for implementing a specific procurement activity.
2. **Activity-** is that which is done to deliver a particular output.

3. **Output**- refers to the document that is produced from the activity; it reflects the actions and decisions arrived at through the activity.
4. **Time**- is the period within which the activity is expected to deliver the output.

Step-by-step Process of DOH's Drug Procurement

The DOH's normative drug procurement process is here conveniently divided into three:

1. planning and bidding preparation,
2. bidding and awarding of contracts, and
3. purchase, delivery and distribution.

A step-by-step flow of the entire procurement process is presented below (see flowchart). The four components are reflected in this matrix.

PART 3

Entry Points for the Civil Society

A civil society group that intends to monitor or evaluate the DOH's drug procurement must first decide on the following:

1. Which of the three main DOH units will be monitored or evaluated?
2. Is the monitoring or evaluation concerned with the entire unit's drug procurement or only that from a specific funding source?
 - a. In the case of Central Office, is it the government- or foreign-funded procurement that will be monitored or evaluated?
 - b. In the case of CHDs, is it the procurement through government budget or a politician's pet project?
3. For the Central Office's procurement, which end-user program or programs will be monitored or evaluated?
4. Will the monitoring and evaluation cover the entire process of procurement or only parts of it?

Preparing the Work Plan

The work plan must take the following into consideration:

1. What are the sample geographical areas to monitor and evaluate?
2. What are the necessary correspondence that must be accomplished?
3. How long will data-gathering take?
4. How long will processing, organizing and analysis of the data take?

Accreditation/Entering into MOA with DOH

The DOH currently does not have any mechanism for accrediting civil society groups who intend to do monitoring or evaluation of its procurement. To formalize such

undertaking, however, civil society groups may enter into a Memorandum of Agreement (MOA) with the DOH Central Office.

The MOA contains, but is not limited to, the following information:

1. name and nature of parties to enter into the agreement;
2. scope of work;
3. duties and responsibilities of each party;
4. date of start and termination of the agreement; and,
5. arrangement in the handling and presentation of findings.

PART 4

Steps in Program Monitoring

For actual observation, monitors may enlist in the following activities:

1. planning workshop for the selection of drugs: end-user programs
2. Pre-Procurement Conference: BAC
3. Pre-Bid Conference: BAC
4. Opening of Bids: BAC
5. Post-qualification: BAC

For follow-up inquiries, the following activities may be tracked:

1. Submission of PPMP
2. Submission of APMP
3. Preparation and finalization of Bid Documents
4. Advertisement
5. Declaration of eligible bidders
6. Determination of LCB
7. Determination of LCRB
8. Approval of the NOA
9. Issuance of PO
10. Issuance of Inspection and Acceptance Reports
11. Delivery to local offices
12. Distribution to RHUs

For documentation, the following documents may be accessed and filed:

1. PPMP
2. APMP
3. Abstract of Bids
4. NOA
5. PO
6. Inspection and Acceptance Reports
7. Delivery Receipts
8. Stock Cards

PART 5

Steps in Program Evaluation

Below are the steps in program evaluation:

1. Define the questions that the evaluation seeks to answer.
2. Identify documents and reference materials useful for the evaluation.
3. Identify the offices where the documents and reference materials may be obtained.
4. Request for these evaluation materials from identified offices.
5. Process and organize the data.
6. Analyze the data.

Guide Questions

Program evaluation may choose to answer any or all of the questions below. Under each question are some specific concerns that the question aims to address.

- 1. Did the procuring units plan well?**
 - a. comparison of national plan with regional plan;
 - b. comparison of national allocation with regional implementation; and
 - c. comparison of actual purchase with the plan.

- 2. What drugs did they buy?**
 - a. ABC-Pareto Classification of drugs
 - b. identification of general drug uses under which the priority drugs fall.

- 3. Did they buy the right drugs?**
 - a. correlation between priority drugs and disease profile
 - b. categorized list of drugs purchased vs. essential drugs list
 - c. detection of deviation from PNDF

- 4. How much did the drugs cost?**
 - a. cost comparison within unit
 - b. cost comparison across units
 - c. total drug expenditure vs. drug budget
 - d. total drug expenditure vs. population/number of patients
 - e. total drug expenditure vs. PhilHealth refund to hospitals
 - f. computation of opportunity cost due to price discrepancy
 - g. cost-benefit analysis for priority and/or expensive drugs

- 5. Who received the drugs?**

- 6. How long did the procurement process take?**
 - a. from advertisement to bid opening;
 - b. from bid opening to awarding of contract;
 - c. from awarding of contract to purchase;
 - d. from purchase to delivery; and
 - e. from delivery to distribution.

Documents and Reference Materials

To answer the evaluation questions, the following documents and reference materials are needed:

1. APP/PPMP
2. NOA
3. Approved POs
4. Approved Allocation List
5. Inspection and Acceptance Report
6. Payment Voucher
7. RIS/Stock Cards
8. Pharmacy's Monthly Consumption Report
9. Morbidity/Mortality Profile
10. Philippine National Drug Formulary.

CHAPTER 6

Data Processing and Analysis

Data-processing follows after the documents have been collected. For an easy and organized review, the data must be processed and labelled accordingly. There are at least 12 sets of processed data that must be accomplished.

Raw Data

Based on approved and delivered Purchase Orders, the table of "raw data" supplies the following details:

1. PO Number
2. PO Date
3. Mode of Procurement
4. Date of Bidding/Canvassing
5. Supplier
6. Name of Drug
7. Unit
8. Quantity
9. Unit Cost
10. Total Cost

Planning

In the case of the Central Office's procurement, its national allocation may be compared with regional allocation. This comparison is made possible by the fact that the national plan is based on or consolidated from individual plans submitted by the regional offices. The assumption here is that the Regional Offices would normally request for more in anticipation of cuts by CO. If national allocation exceeds regional plan, then CO allocates more than the declared need of the regions.

For CHDs' and hospitals' procurement, the actual purchases may be compared with the plan in four ways:

1. Did the CHDs or hospitals buy drugs not in APP? If yes, what are these and how many?
2. Are there drugs in the APP that were not bought? If yes, what are these and how many?
3. Did the hospital buy more than what was declared in the APP?
4. How does the current year's winning bid prices differ from the APP's projected prices?

ABC-Pareto Classification of Drugs

The ABC-Pareto classification of drugs is specifically useful for the CHDs' and the hospitals' various drugs purchases. It reveals the priorities of the procuring unit by identifying the drugs that ate up 80% of the total drug expenditure. Extracted from the raw data, the method of classification proceeds this way:

1. Group the drugs according to their name regardless of their specifications. For example, Amoxicillin 500mg tabs, Amoxicillin 250mg tabs and Amoxicillin 250mg susp 60ml will all be grouped under the name "Amoxicillin".
2. Add the total costs of each major drug group.
3. Sort the drugs from the highest to the lowest cost.
4. Get the percentage share of each drug to the cumulative cost of all drugs.
5. Add the percentage with the preceding percentage to determine the cumulative percentage.
6. Label as "Class A" the drugs with 80% share and lower. Label as "Class B" those with higher than 80% share but lower than or equal to 90%. Label as "Class C" the remaining drugs, or those with higher than 90% share.
7. Correlate the Class A drugs with the disease profile of the region or the hospital. Are these drugs attending to the needs of these units?

Categorized List of Purchased Drugs vs. Essential Drugs List

The listing of purchased drugs under the formulary's modes of drug categorization enables the evaluator to see:

1. if there is duplication in the available drugs;
2. if a cheaper but equally effective drug is being used rather than an expensive one;

Based on the raw data and using the drug formulary as reference, all the drugs that fall under a certain category must be identified and listed down. For example, Amoxicillin, Cotrimoxazole and Ofloxacin will fall under the category of "Anti-infectives".

Cost Comparison

Cost comparison may either be done within unit or cross-units. In cross-unit comparison, the prices of same drugs in different regional centers or hospitals are identified and listed.

Both modes of cost comparison follow simple steps:

1. Identify same drugs with different unit prices;
2. Get the percent difference between prices;
3. If the price differences are too high, it is important to tabulate other details, such as date of purchase, mode of procurement, quantity and supplier.

In analyzing the cost, the following factors and assumptions may be employed:

Factors	Assumptions
1. Mode of Procurement	Bidding generates lower price than the other modes.
2. Date of Bidding	Bidding at an earlier date yields cheaper price.
3. Quantity	Higher quantity yields lower price.
4. Transportation	Suppliers from same location incur same transportation cost.
5. Supplier	Same suppliers have nearly the same price for the same drug.

Comparisons with the Total Drug Expenditure

The unit's total drug expenditure may be compared with the unit's drug budget, target recipients and, in the case of hospitals, PhilHealth refund.

Comparison of expenditure with drug budget indicates the degree of utilization. Comparison with target recipients shows the adequacy or inadequacy of services. Comparison with PhilHealth refund, in the case of hospitals, reveals the amount of assistance the unit receives.

The results for different CHDs and hospitals can likewise be compared.

Opportunity Cost

Opportunity cost (OC) is attributed to unmonitored prices, which result in high price discrepancies across units. This entails that prices could have been lower if bidding is performed effectively and if the units shared information. Thus, opportunity cost refers to the money that the government lost because the lowest possible price is not used.

The computation of the opportunity cost follows the following equation:

$$OC = [(P_1 * Q_1) + \dots + (P_n * Q_n)] - (P_{\text{lowest}} * Q_{\text{total}})$$

P stands for price and Q stands for quantity; P_{lowest} refers to the lowest price across units and Q_{total} refers to the total quantity purchased by all the units.

Life-Span of Drugs

Computing for the life-span of drugs purchased by all the units is one way of measuring the quality of drugs. The dates to be used here are:

1. the date of delivery to the unit warehouse; and
2. the expiry date of drugs according to the BFAD inspection.

The computation is advised to be done in terms of number of months. The date of delivery is used instead of the manufacturing date since some drugs are delivered to the warehouse much later than their manufacturing dates.

Recipients of Drugs

For national and regional offices, the stock cards are good sources of the recipients of drugs. They show both legitimate and illegitimate recipients and the quantity they received. Tabulating the recipients can be done this way:

1. Identify and classify all the entries in the stock cards;
2. Count the quantity of drugs that went to each group;
3. Compute the share of each group to the total number of drugs distributed.

For hospitals, the monthly consumption report accounts for the movement of drugs from the pharmacy to the patients. Such movement is reported in broad categories, such as “Charity Patients” and “Regular Patients”. Charity patients are charged free or with minimum amount while regular patients pay in full. It is important to review this to see the financial and operational viability of the hospitals.

Procurement Period

The timely delivery of drugs and medicines can be evaluated based on the period covered in the procurement process. The computation starts from the planning workshop down to the local distribution. It may be done in terms of the number of days.

PART 7

Reporting of Problems and other Concerns

The DOH currently does not have an office tasked to receive comments and/or complaints regarding the conduct of procurement. It is, however, planning to set up a Procurement Desk, which will have the said function.

Validation and Presentation of Findings

The findings from the monitoring and evaluation should be validated with the agency officials and then presented to the public. Comments and corrections from the validation session must be incorporated in the final report of findings.

DEFINITIONS

ANNEXES

List of Sample Documents and Processed Data

1. SAI
2. RIS
3. PR
4. APMP
5. CAF
6. Notice of IAEB
7. AOB
8. NOA
9. PO
10. Inspection Report
11. Acceptance Report
12. Allocation List
13. Local Offices' Delivery Receipt
14. Stock Cards

ACRONYMS

AL OBS	Allotment and Obligations Sheet
AOB	Abstract of Bids
APMP	Agency Procurement Management Plan
APP	Annual Procurement Plan
BAC	Bids and Awards Committee
BFAD	Bureau of Food and Drugs
CAF	Certificate of Availability of Fund
CHD	Center of Health Development
COA	Commission on Audit
DOH	Department of Health
EO	Executive Order
GEPS	Government Electronic Procurement System
IAEB	Invitation to Apply for Eligibility and to Bid
LCB	Lowest Calculated Bid
LCRB	Lowest Calculated and Responsive Bid
MOA	Memorandum of Agreement
NOA	Notice of Award
PLS	Procurement and Logistics Service
PO	Purchase Order
PR	Purchase Request
RIS	Requisition and Issue Slip
SAI	Supply Availability Inquiry
TWG	Technical Working Group