





CASE STUDY:

PROCUREMENT OF MEDICAL PROCUREMENT OF UKRAINE (MPU) AS A CRITICAL REFORM OF COMBATING CORRUPTION IN PUBLIC PROCUREMENT IN UKRAINE

Fund of the President of Ukraine

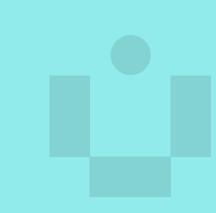


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ABSTRACT

Till 2014 the unreformed system of public procurement in healthcare lead to catastrophic outcomes on the health of Ukrainians. Losses arose at the stage of strategic planning, medical products were purchased at significantly higher prices because of the unclear mechanism for collecting needs and intensified corruption, even part of medicines that came to the regions, sold locally or expired in hospitals. In this paper proposed the sketch of transforming the medical procurement system on Ukraine during the 2015-2021 along with political and technical solutions made to establish the key government body responsible for medical procurement under the state budget in Ukraine – SOE "Medical Procurement of Ukraine» (MPU).



ABOUT THE AUTHOR

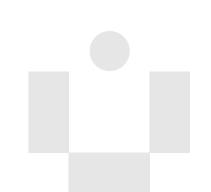
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From 2018 to 2021, she worked in the Ministry of Health of Ukraine in the position of Coordinator of the working group on reforming the procurement of medicines, vaccines, and medical products. Later, as a State expert on the development of medical services, she was responsible for implementing the Concept of Reforming the Procurement of Medicines and Medical Products, adopted by the Cabinet of Ministers of Ukraine in 2018. As part of the implementation of the Concept, she coordinated the launch of the State Enterprise "Medical Procurement of Ukraine" (MPU) and the mechanism of the negotiation procedure for sufficient procurement of innovative medicines - managed entry agreements (MEA). In addition, she was the Coordinator of the Working Group on the National Strategy for Rare (Orphan) Diseases of the Ministry of Health of Ukraine for 2021-2026, which the Cabinet of Ministers of Ukraine approved in April 2021.



EXECUTIVE SUMMARY

In 2014 distributors were involved in the government procurement of 100% and 97% of medicines as part of the children and adult oncology program. The Ukrainian distributors are not classical distribution companies operating in the EU states and the USA. For years the Ukrainian distributers won the most tenders leaving only 6% of money turnover to the domestic manufacturers and acted as a 'corruption bridge' between the pharmaceutical companies and officials of the Health Ministry. According to the data of the State Security Service of Ukraine this cooperation resulted in up to 40% of overspending at the MoH state tenders. Foreign manufacturers used to ignore the procurement procedures of the Ukrainian customers because of potential problems with law enforcement bodies and backroom arrangements. Arrangements mean that distributors received certain discount and exclusive rights in exchange of handling all the hard work of deciding the winner with the buyer and addressing problems with law enforcement and controlling bodies. Manufacturers in their turn receive contracts and are not involved directly in corruption activities.

The work of Ukrainian distributors was characterized by a lack of transparency, overpricing and use of backroom arrangements for addressing all issues related to participation in the procurement process. Corruption costs were incorporated into the pricing proposals.

In 2015 Government of Ukraine adopted the Law about transferring of central level procurement to the specialized organizations. This step was significant for fighting corruption and improving the effectiveness of the procurements under strategic programs. Within the period of 2015-2018, MOH contracted three specialized organizations, which included UNDP, UNICEF and Crown agents in Ukraine, for a total amount of 18,0 bln UAH (~670 mln USD). The purchasing mechanism has been widely praised as a success, as contractors saved up to 39% of public funds allowing for wider coverage of medical treatment for patients.

Results of MoH cooperation with the specialized international organizations showed that large foreign manufacturers are ready to reduce prices for medicines exclusively on conditions of confidentiality. Manufacturers accounted for 57% of tender winners for the adult oncology program in 2016, 47% of them were international.



It is because their pricing is based on countries and regions and is unique for certain group of countries depending on the geographical, economic and other factors. For example, Ukraine was a reference country for Russian Federation, therefore if official prices for Ukraine are reduced, other countries of the same pricing group, Russia in particular, demand similar price reduction.

As a result, the pharmaceutical manufacturer loses its profit and is not interested in disclosing any information about its discounts and special conditions. International organizations involved in procurement for the MoH in 2015-2018 managed to achieve considerable price reductions in cooperation directly with producers specifically because they observed confidentiality of price information as they procure medicines according to their own procedures.

At the same time, given the temporary nature of the transfer of procurement from the Ministry of Health to specialized organizations, was an urgent need to implement Ukraine its effective mechanism for procurement of medical products, which will allow procurement to be carried out taking into account the best practices and experience gained from specialized procurement organizations while eliminating certain difficulties, which arose during procurement involving such organizations. For example, it's a lack of a unified approach to an exemption from VAT, delays in the transfer of funds, a long process of communication with the Ministry of Health, interruptions in the purchase of vaccines, delays in registration of purchased but not registered medicinal products; monopolization of the logistics function by state-owned enterprises of the Ministry of Health, etc.

A return to the procurement format of the Ministry of Health, which existed before 2015, was unacceptable, as in this case, there is a risk of a renewal of the above-mentioned risks that existed before the transfer of procurement to independent and professional organizations.

In 2018, as the government managed to largely meet the needs of the population in medicines, the Cabinet of Ministers of Ukraine adopted a Concept of procurement reform of medicines and medical devices, auxiliaries, other medical supplies.

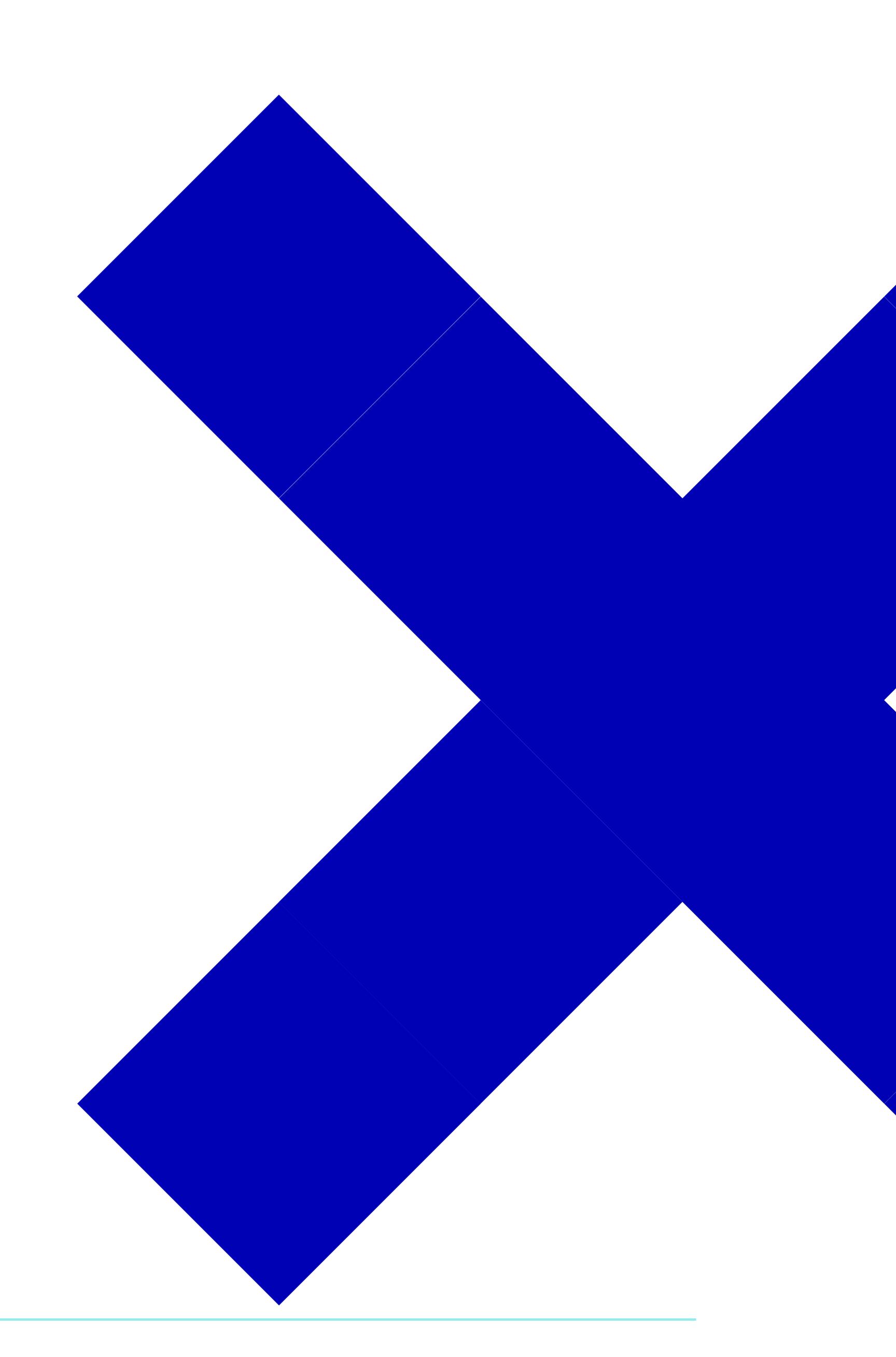


The concept set a guideline for further reforms of the sector, which included among others gradual transfer of programs from centralized procurement to local level through changes of the funding model for hospitals. The Concept also put forward a task of establishment of a centralized purchasing agency that would benefit from procedures, mechanisms and experience of specialized organizations.

In October 2018, MOH founded the Medical Procurement of Ukraine as a central procurement agency (hereinafter – MPU) in the form of a state-owned enterprise.

On all procurements of MPU in 2021 has been able to save 2.5 billion UAH from the firstly approved budgets of the state programmes. The total value of all contracts in 2021 reach up to 7.3 bln UAH.

Prices at which MPU procures are several times lower than the ones of the pharmacies and at the procurements implemented by the hospitals. They are lower than the prices received by the international specialized organizations that procured the same position on behalf of Ukraine in the previous years. The taxpayers' money saved by MPU allows the state to better address the social needs of Ukrainian citizens.¹



SOE Medical procurement of Ukraine, "Analytical report 2021», December, 2021, p.3, https://drive.google.com/file/d/1Z9t4maPZNqxgxHV1bQ7_dPDDnxT_vcEj/view



INTRODUCTION

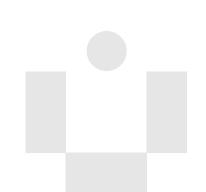
This paper explores transformation in the sphere of public procurement of medicines, vaccines and medical devices in Ukraine in the period from 2015 to 2021. The corresponding transformation was caused by the critical level of corruption in the field of state provision of medicines, which reached its peak in 2014, after the Revolution of Dignity. The extremely low level of coverage of vitally necessary therapy for patients with critical diseases, the postponing of the supply of drugs were the consequences of careless management in the Ministry of Health, the embezzlement of funds from the Ministry's tenders, the monopolization of drug suppliers in the «face» of two distributors in Ukraine, and the critically high prices of drugs purchased by the state. Under the pressure of civil society and patients' organization (CF "Patients of Ukraine», CF "People living with HIV") the mentioned transformation began in 2015, by transferring the function of procurement of medicines to specialized organizations with a high level of expertise and reputation in this field - UNDP, UNICEF, Crown Agents in Ukraine.

However, the main goal of the transformation was to adjust the Ministry of Health's own capacity to procure medicines efficiently and on time, by professionalizing medical procurement and saving budget funds.

Thus, in 2018, with the support of donor organizations (USAID, World Bank, UNDP, WHO in Ukraine etc) and the political leadership of the Government of Ukraine, the State Enterprise "Medical Procurement of Ukraine" (MPU) was established.

During the two years of activity of the MPU, it was possible to save approximately UAH 5.5 billion and significantly increase the level of provision of vital medicines to the population.

This paper briefly describes the steps taken by the Government of Ukraine in partnership with international donor organizations in order to build the enterprise's capacity to effectively fulfill the function of ensuring medicines to the citizens of Ukraine and achieve unprecedented indicators of cost savings and the purchase of additional medicines for especially difficult categories of patients. Data sources include reports of partner donor organizations, Ukrainian anti-corruption NGOs, analytical reports of international experts, and regulatory/legal documents approved by the Government of Ukraine.



THE CHALLENGE

In the period up to 2015, the situation that developed in Ukraine surrounding the state procurement of medicines carried out by the Ministry of Health of Ukraine (MOH) posed a threat to the timely provision of high-quality, safe and effective medicines to patients.

The well-known problems in the field of procurement of medicines in the specified period were corruption risks, long and opaque regulatory procedures, limited competition, lack of long-term planning, the inability of foreign suppliers to enter the Ukrainian public procurement market, poor-quality preparation of tender documents, which led to the purchase of low-quality medicines for inflated prices, supply disruptions, and as a result, patients not receiving vital treatment, increased morbidity and mortality.

In view of the outlined situation, Ukraine decided to temporarily, until 31.03.2019 (in 2022 extended without any deadlines as optional), transfer the procurement of medicines from the Ministry of Health to specialized procurement organizations (such as UNDP, UNICEF, Crown Agents and others).

In this way, the Ministry of Health of Ukraine received the time which is necessary to reform the management system of health care financing and, in particular, public procurement, which will allow patients to be provided with effective, high-quality and safe medicines, medical devices and other products at reasonable prices.

At the same time, it is difficult to overestimate the effectiveness of the implemented decision to transfer procurement from the Ministry of Health to specialized organizations. According to the report of the Accounting Chamber of Ukraine from 2018, this led to savings of almost 40% in the first years² of the reform's implementation. In some programs, the savings reached even greater scales: according to the Report of the Anti-Corruption Action Center, prepared in 2017, in 2016, the savings under the adult oncology program amounted to about 52% compared to the procurement of the Ministry of Health in 2014. In addition, the experience of Ukraine other states began to take over. Over the past few years, Bosnia and Herzegovina, Kazakhstan, Moldova, Turkmenistan and Uzbekistan have switched to this format of procurement of medicines.

Report of Accounting Chamber of Ukraine, April 2019 https://rp.gov.ua/News/?id=137&lang=ukr



During the period of operation of procurement carried out by specialized organizations, there have been significant changes in the health care system. In particular, the health care financing reform is being actively implemented, which provides for the principle "money follows the patient"; a system of reimbursement (reimbursement of the cost) of insulins, as well as reimbursement of individual medicines within the framework of the "Affordable Medicines" government program, was introduced. Reimbursement is expected to be a key source of out-of-pocket costs for outpatient medicines in the following years.

As for the programs that at this stage are implemented through procurement with the involvement of specialized organizations, at the same time active work is being done to review these programs and identify key priority programs that will remain within the competence of procurement of the Ministry of Health (in particular, orphan diseases, vaccination programs, the fight against HIV/AIDS etc). Other programs were planned to be delegated to the level of reimbursement (where possible) and regional procurement.

At the same time, given the temporary nature of the transfer of procurement from the Ministry of Health to specialized organizations, there was an urgent need to implement in Ukraine its own effective mechanism for procurement of medical products, which will allow procurement to be carried out taking into account the best practices and experience gained from specialized procurement organizations, while eliminating certain difficulties, which arose during procurement involving such organizations. For example, lack of a unified approach to exemption from VAT, delays in the transfer of funds, a long process of communication with the Ministry of Health, interruptions in the purchase of vaccines; delays in registration of purchased but not registered medicinal products; monopolization of the logistics function by state-owned enterprises of the Ministry of Health.

A return to the procurement format of the Ministry of Health, which existed before 2015, is unacceptable, as in this case there is a risk of a renewal of the above-mentioned risks that existed before the transfer of procurement to independent and professional organizations.

Anti-corruption Action Centre, "Transparent/non-transparent procurements of medicines», 2017, p.3, https://drive.google.com/drive/u/0/folders/1NCcpVMqXD1eH3WgiVYBeVILoyfF67_Pg



In view of the above, on August 23, 2017, the CMU Order N°582-r was adopted, which updated the Concept of reforming the procurement of medicines and medical products, auxiliary means, other medical goods⁴, which provides for the creation of a modern and effective procurement organization (SOE "Medical procurement of Ukraine" (MPU)), which will ensure the procurement of medical products, oriented to the needs of the patient. Besides, the Concept also set a guideline for further reforms of the sector, which included among others gradual transfer of programs from centralized procurement to local level through changes of the funding model for hospitals.

It was expected that, within the framework of planned activities, the MPU should use procedures, mechanisms and procurement experience that are successfully were used by specialized procurement organizations in Ukraine and in many countries around the world.

In addition to the need to acquire its own capacity to procure medicines under the state budget, with the involvement of specialized organizations only in case of urgent need or in areas in which they have shown the greatest capacity (for example, the procurement of vaccines by UNICEF), the Ministry of Health of Ukraine faced the challenge of making all procedures for the procurement of medicines more transparent and in accordance with the Law of Ukraine "On Public Procurement"⁵.

More specifically, already at that time, in accordance with this Law, all procurement procedures with public funds were to take place exclusively on the PROZORRO⁶ online platform. At that time, everyone in the Government of Ukraine was aware of the effectiveness of specialized organizations, because thanks to them it was possible to significantly improve the processes of procurement and supply of drugs to the end user (patient), however, international organizations procured medicines outside the jurisdictions of Ukraine and made it on international platforms, reported such about their procedures exclusively to the leadership of the Ministry of Health, which perceived as lack of transparency, especially in terms of the active implementation of the general reform in the sphere of public procurement in Ukraine.

CMU Order Nº582-r by 23.08.2017 «Concept of reforming the procurement of medicines and medical products, auxiliary means, other medical goods", https://zakon.rada.gov.ua/laws/show/582-2017-%D1%80#Text

Law of Ukraine «On public procurement» Nº922-VIII by 12.04.2016, https://zakon.rada.gov.ua/laws/show/922-19#Text

https://prozorro.gov.ua/en



Hence, there was a great request to find a unique model for the procurement of medicines with the help of specialized organizations and to have an exception in the legislation so as not to carry out procedures on PROZORRO.

But at the same time, there was intense pressure from international partner organizations (USAID) and the Ministry of Economy and Trade, the Ministry of Finance of Ukraine, so that all procurements of medicines were regulated exclusively within the framework of current legislation and the procedures were public, in PROZORRO.

Taking into account these factors, after the establishment of the SOE Medical procurement of Ukraine, the Ministry of Health of Ukraine had to find solutions that would allow the new body to procure as efficiently as specialized organizations, but more transparently, which would allow even more savings of public funds allocated by the Government for medicines.



THE SOLUTION

In accordance with the Concept of reforming the procurement of medicines and medical products, auxiliary means, other medical goods, which was approved by the Cabinet of Ministers of Ukraine in 2017, the Ministry of Health of Ukraine established a Working Group on providing profile support for the reform of the system of state procurement of medicines and medical products (order of the Ministry of Health Nº146 from 26.01.2018).⁷

The created working group had the aim I of creating the SOE "Medical Procurement of Ukraine" (MPU) and developing the Concept of legislative changes for the effective functioning of the SE "Medical Procurement of Ukraine".

The working group included representatives of donor partner organizations, other ministries and departments, patient and business associations.

In October 2018, MOH founded the Medical Procurement of Ukraine (MPU) as a central procurement agency in the form of a state-owned enterprise. The MPU is expected to overtake the implementation of national public funded programs.

Was expected that from April 1, 2020, MOU should overtake UNDP, UNICEF, and Crown Agents as a central procurement agency for MOH. Even though the law enabling procurement by the specialized organizations is to expire on the above mentioned date, there were a few scenarios possible:

1) the Law will be prolonged and the specialized organizations will carry on purchases for MOH, whereas the MOU will focus on further organizational development getting itself prepared for overtaking the procurement in a few years' time.

Order of the Ministry of Health Nº146 by 26.01.2018 «On establishment of the Working Group on providing profile support for the reform of the system of state procurement of medicines and medical products https://drive.google.com/drive/u/0/folders/1NCcpVMqXD1eH3WgiVYBeVILoyfF67_Pg



- 2) the Law will be prolonged with exceptions for programs that will be run by the MPU, thus enabling smooth transfer of programs from international organizations to the MPU. This scenario implies gradual increase of programs administered by MPU and full transfer within 3 years' period (2020-2022).
- 3) the Law will be amended and the MPU will become a principal budget owner that can either buy directly on its own or contract a specialized purchasing organization. This scenario enables both smooth transition and MPU's capacity building.
- 4) the Law will not be amended, nor it will be prolonged. Thus, the MPU will substitute international organizations as a sole procurement vehicle for MOH.

Finally, the Parliament of Ukraine has prolonged the Law for the specialized organization for one year (till April 1, 2021), but with a one mandatory condition – in the following years MPU should be the main government specialized body for the medical procurement in Ukraine.

ROLE OF INTERNATIONAL DONOR ORGANIZATIONS

At that time there was no separated budget in MOH for the establishment and capacity building of MPU – the Concept of Cabinet of Ministers didn't seem to rely on development partners' support for the start-up costs, investments, regular budget for up to 3 years until full cost recovery.

MOH estimates that MPU will grow from 18-22 staff in 2018 to 28-35 staff in 2020, to cover 3 mechanisms: national/central procurement, Global Fund and hospital/regional procurement in the official status of Central procurement body (CPB).

The estimates for the necessary bridging funds vary from USD 1.5m (MOH) to USD 3m (outsourced consultants) for the years 2018-2020. This would cover legal costs for setting up the State Owned Enterprise (SOE), and provide bridging funds to appoint a Supervisory Board, Director and staff, and run the MPU office.

In addition, there would need to be a budget (or in-kind support) for training and capacity building of the new and likely inexperienced MPU staff.



Development partners hinted at the following possibilities:

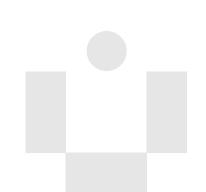
- MSH/SAFEMed has announced plans to support MPU with staff and consultants from its USD 12.4m program.
- UNDP-UNICEF-WHO have approached development partners for funding of its 'one UN' plan.
- · Crown Agents had a willing to support MPU with legal and technical assistance and do capacity building of staff.
- · USAID jointly with Eurasia Fund expressed the interest to support the development of the Concept of legislative changes for the effective functioning of the MPU.
- The MSH SAFEMed project is a 5-year, USD 12.4m project funded by USAID. It succeeds the SIAPS project that closed June 2017.
- · SAFEMed supported the ongoing reforms in managing medicines through strengthening pharmaceutical sector governance, optimizing pharmaceutical sector finance, and supporting improved availability and use of essential medicines.

Specifically, for MPU, SAFEMed provided:

- Legal support to establish MPU and its capacity building
- Develop policies and organizational documents for the MPU
- · Support MPU selected staff positions, purchase of equipment
- Training of MPU staff on local regulations
- Assess the Concept Note considering healthcare reform in Ukraine

In addition, SAFEMed offered to:

- · Assist Ministry of Economic Development & Trade (MEDT) with adding Framework Agreement mechanisms to the PROZORRO system, and support development and review of draft regulations for central procurement bodies (such as CPB and CPA)
- Work with stakeholders in the regions to increase awareness of the new CPA/CPB and how they can utilize its services.



DEVELOPMENT THE CONCEPT OF LEGISLATIVE CHANGES

In June 2019, a group of lawyers from the "Arzinger" company, with the support of the "Eurasia" Foundation, together with the Working Group on Reforming the System of Public Procurement of Medicines of the Ministry of Health of Ukraine, finalized the Concept of legislative and sub-legal regulatory changes for the effective functioning of the MPU.

In this Concept, the following mechanisms/tools were proposed, which are critical for the effective procurement of drugs by the enterprise.

1. Supply of medicines and medical products from the markets of other countries, conclusion of contracts directly with foreign suppliers.

The possibility of supplying medicines and medical products from the markets of other countries, concluding contracts directly with foreign manufacturers/foreign suppliers will allow:

- · expand competition between suppliers of pharmaceuticals and medical products;
- · optimize the supply chain;
- stimulate the entry into the Ukrainian market of medical products that are currently not available on the market,
- interest in the Ukrainian market those manufacturers who currently do not consider Ukraine as a sales territory.
- 2. The right to choose service providers, including logistics, on transparent competitive terms

In carrying out its activities, the MPU will perform key functions with the involvement of logistics operators - persons who have the necessary capacity, personnel and experience, thanks to which high-quality storage and transportation of medicines and other medical products to the medical center will be ensured.



Ability to qualitatively select appropriate service providers:

- · increased the efficiency of MPU activities;
- allowed effective use of budget funds;
- · allowed the delivery of medical products with the provision of all requirements to quality and preservation of such products.
- 3. Simplified registration of procured medicines.

Simplified registration of purchased medicines allowed:

- to stimulate the entry into the Ukrainian market of medicines that are currently not available on the market, interest in the Ukrainian market those manufacturers/ suppliers who currently do not consider Ukraine as a sale territory;
- to expand competition in the market, and therefore achieve lower prices for medicinal products.
- 4. Delivery of medicines and medical products in packaging and with instructions in a foreign language with provision of translation

The supply of medicines and medical products in packaging and with instructions in a foreign language stimulated the interest of foreign manufacturers/foreign suppliers in the supply of products to the Ukrainian market, because there will be no need to label and pack such products separately in localized packaging, and therefore to establish special production lines under such a need. At the same time, thanks to the accompaniment of foreign packaging and instructions translated into Ukrainian, doctors will be able to efficiently administer the provision of appropriate medicines/medical products to patients. Since such medicines will fall exclusively into the hospital segment, the risks of incorrect use by patients of the corresponding products are minimized.

5. Exemption from state quality control when importing medicines

Exemption from state quality control during the import of medicinal products stimulates faster delivery of appropriate medicinal products to patients. At the same time, the risks associated with the lack of state quality control during import were planned to be minimized by other quality control mechanisms due to the involvement of intermediaries - logisticians with the appropriate import license.



6. Exemption of medicines and medical products to be procured by MPU from state price regulation

In the event that medicinal products to be procured by MPU are subject to price regulation and the obligation to declare wholesale prices and changes to them, this may cause a number of consequences/complications related to:

1) reference pricing - the price declared in Ukraine can become the basis for reference pricing in other countries of the world, and in the case of declaring low prices in Ukraine, prices may decrease in other countries as well, which is disadvantageous from a commercial point of view for pharmaceutical manufacturers/suppliers and will demotivate them to enter the public procurement market of Ukraine;

2) the impossibility of participating in the procurement of pharmaceuticals by MPU, which at the time of purchase are not registered and entered in the Register of wholesale prices for pharmaceuticals.

Therefore, the exemption of medicines to be procured by MPU from state price regulation will increase the interest of pharmaceutical companies in entering the procurement market, and will also allow the purchase of medicinal products that, at the time of purchase, are not registered and entered into the Register of wholesale prices for Medicines.

7. Exemption from VAT of medical products purchased by MPU

Exemption from VAT of medical products procured by MPU allowed to ensure the need for such medical products by 7% more patients, and therefore lead to an improvement of the general level of health care in Ukraine. The implementation of the relevant benefit for the procurement mechanism with the involvement of specialized procurement organizations has shown a positive effect and should be continued for MPU procurement.



8. Possibility of long-term contracts

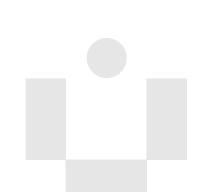
The possibility of concluding long-term contracts between the MPU and the corresponding pharmaceutical company had several advantages for both customers and suppliers:

- for customers an opportunity to carry out treatment more effectively, ensuring the long-term need for medical products, the opportunity to obtain products at a reduced price due to the interest of pharmaceutical companies in the volume of supplies.
- · for suppliers an opportunity to effectively plan the production cycle, obtaining a market for products for a long-term (more than one year) perspective.
- for patients ensuring timely access to innovative medicines and vaccines, for which there is a monopoly of a certain manufacturer/supplier on the market and great demand among customers; in this part, long-term orders will avoid queues, which in some cases will delay delivery.

9. The right in exceptional cases to purchase medicined not registered in Ukraine

The right of MPU in exceptional cases to purchase medicinal products not registered in Ukraine allowed to ensure:

- patients' access to unregistered medicinal products for the treatment of rare diseases in Ukraine, which manufacturers are not interested in registering in Ukraine due to the significant volume of patients' need for them in Ukraine.
- treatment of the population of Ukraine in cases of the spread of certain socially dangerous infectious diseases with a high mortality rate, epidemics for the purposes of national security.
- formation of understanding among manufacturers regarding the demand for the relevant types of medicinal products in Ukraine and motivating them for further registration of such medicinal products in the event of an increase in the volume of their purchases by the private sector.



POLITICAL SUPPORT

Despite the new political cycle that began in the summer of 2019 after the elections to the Parliament of Ukraine (Verkhovna Rada of Ukraine), the Concept developed by experts and the working group received the support of the new political leadership of the health care committee in the Verkhovna Rada of Ukraine and the corresponding changes in the legislation of Ukraine, in order to ensure effective mechanisms for the procurement of medicinal products by the newly created enterprise MPU, was voted by the Deputies of Verkhovna Rada of Ukraine in March 2020.8

The mentioned Law became fundamental for the active launch of the MPU activities as a government procurement agency, as well as a signal to the Ministry of Health of Ukraine that there are already appropriate conditions for the transfer of some procurement programs from specialized organizations to the MPU. Thus, the first procurements of medicines and medical devices by the MPU were made under the funds of the state budget 2020.

The Law of Ukraine «On amendments to some laws of Ukraine, aimed at increasing the availability of medicines, medical devices and auxiliary means for them, which are procured by a person authorized to carry out procurement in the field of health care" N°531-IX by 17.03.2020 https://zakon.rada.gov.ua/laws/show/531-20#Text



OUTCOMES

According to the report of the research company in the pharmaceutical industry SMD, for the period of procurement of medicines by the MPU in 2019 (pilot procurement under the funds of the Global Fund) and 2020-20229, the entry into the market of the SOE "Medical Procurement of Ukraine" completely changed the rules of the game in the pharmaceutical market of Ukraine. For 4 years, it shares in the market 9% and MPU ranks N°2 in public procurement (after procurements by hospitals) and N°3 in the entire market (even considering purchases through pharmacies). In most cases, the prices of MPU are 40-50% lower than the prices from other channels of ensuring medicines to citizens of Ukraine (both the state segment and the retail segment).

MPU has the lowest price in most cases:

- · 81% of the analyzed medicines, which were procured through various channels/ mechanisms, had a significantly better price precisely in the procurement of MPU;
- 17% of medicines had prices comparable to MPU in at least one of the other purchase or sales channels
- Only in one case was the MPU price not the lowest (with a difference of more than 10%).

Savings for the budget thanks to the work of MPU amounted to at least 5.4 billion UAH in 4 years (2019-2022). If the entire volume of the specified items were procured at MPU prices, the additional savings would be 1.1 billion UAH. MPU achieves better prices compared to centralized procurement through international/specialized organizations, in 77% of cases, the price of MPU was better than the prices of international/specialized organizations in centralized procurement. This was achieved by replacing some items with certified generic items, or by reducing the price during the negotiation procedure.

A unique example of 100% drug coverage is the purchase of Trastuzumab for women with breast cancer. MPU procured in 11 times more Trastuzumab from January to August 2022 than was procured by all other state institutions (hospitals etc) for the whole of 2018, and for almost the same amount (only 17% more funding).

SMD, Analytical report on the order of USAID, 19.10.2022, https://drive.google.com/drive/u/0/folders/1NCcpVMqXD1eH3WgiVYBeVILoyfF67_Pg



Accordingly, the average procurement price of 150 mg Trastuzumab MPU in 2022 was 9.4 times lower than the average the price of procurements by specialized organizations in 2018.¹⁰

In addition, effective procurement by MPU under the funds of state budget reduced the costs of patients for medicines purchased by the state by an average of 23%.



CONCLUSIONS

Till 2014 the unreformed system of public procurement in healthcare lead to catastrophic outcomes on the health of Ukrainians. Losses arose at the stage of strategic planning, medical products were purchased at significantly higher prices because of the unclear mechanism for collecting needs and intensified corruption, even part of medicines that came to the regions, sold locally or expired in hospitals. In 2015 Government of Ukraine adopted the Law about transferring of central level procurement to the specialized organizations. This step was significant for fighting corruption and improving the effectiveness of the procurements under strategic programs.

Within the period of 2015-2018, MOH contracted three specialized organizations, which included UNDP, UNICEF and Crown agents in Ukraine, for a total amount of 18,0 bln UAH (~670 mln USD). The purchasing mechanism has been widely praised as a success, as contractors saved up to 39% of public funds allowing for wider coverage of medical treatment for patients.

In 2017, as the government managed to largely meet the needs of the population in medicines, the Cabinet of Ministers of Ukraine adopted a Concept of procurement reform of medicines and medical devices, auxiliaries, other medical supplies. The concept set a guideline for further reforms of the sector, which included among others gradual transfer of programs from centralized procurement to local level through changes of the funding model for hospitals. The Concept also put forward a task of establishment of a centralized purchasing agency that would benefit from procedures, mechanisms and experience of specialized organizations.

In October 2018, MOH founded The Medical Procurement of Ukraine (MPU) as a central procurement agency in the form of a state-owned enterprise. Despite the new political cycle that began in the summer of 2019 after the elections to the Parliament of Ukraine (Verkhovna Rada of Ukraine), the Concept of legislative changes for the effective functioning of the MPU, developed by experts and the working group received the support of the new political leadership of the health care committee in the Verkhovna Rada of Ukraine and the corresponding changes in the legislation of Ukraine, in order to ensure effective mechanisms for the procurement of medicinal products by the newly created enterprise MPU, was voted by the Deputies of Verkhovna Rada of Ukraine in March 2020.

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It was a fundamental for the active launch of the MPU activities as a government procurement agency, as well as a signal to the Ministry of Health of Ukraine that there are already appropriate conditions for the transfer of some procurement programs from specialized organizations to the MPU.

Savings for the budget thanks to the work of MPU amounted to at least 5.4 billion UAH in 4 years (2019-2022). If the entire volume of the specified items were procured at MPU prices, the additional savings would be 1.1 billion UAH.

Despite the significant results achieved by MPU within the framework of the implementation of state orders during 3 years of active activity, the next challenges in the transformation of the sphere of medical procurement will be the digitization and automation of the processes of procurements' planning and collecting needs in health facilities, more openness and transparency of data on the availability of medicines and increasing their availability.

NOTES

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