ECUADORIAN CASE IN THE POOLED PROCUREMENT OF MEDICINES FOR THE NATIONAL HEALTH SYSTEM

Corporate Reverse Auction as a mechanism to access fair pricing

Daniel López Salcedo
NATIONAL PUBLIC PROCUREMENT SERVICE (SERCOP)
Second Fair Pricing Forum
Johannesburg, April 11-13, 2019
SNAPSHOT

**Total Population**: 16 million

**Expenditure on health as % of GDP**: 9%

**Pharmaceutical expenditure**
  - USD 1.5 – 2 billion annually

**Average cost per medicine before PP**: USD 0.29

**Annual savings for pooled procurement**: USD 300 million

**Average cost per medicine after PP**: USD 0.09

**ECU GDP**: USD 110 billion

**ECU GDP per capita**: USD 6,640

**Elimination of entry barriers**
- Fast-track

**Regional pricing**
- Electronic and competitive process
- Zero paperwork

**Legal security and certainty**: 2+ years

**ECU GDP per capita**: USD 6,640

**e-Procurement Platform**
LEGAL FRAMEWORK
Montecristi as a starting point for a new social pact
• The State is responsible for ensuring the availability and access to quality, safe and effective medicines, promoting national production and the use of generic medicines.

• In access to medicines, the interests of public health will prevail over economic and commercial interests.

• The application of international commercial instruments will not impair the right to health and access to medicines.

• The constitution puts the common interest before the private interest.

• Public procurement will meet criteria of efficiency, transparency and quality, national products and services will be prioritized.
State will promote the production, importation, commercialization, dispensing and sale of generic medicines with emphasis on the essentials. Its use, prescription, dispensation and dispensing is mandatory in public health institutions.

• Declares access to priority medicines for public health as a public interest, for which compulsory licenses may be confer for human use treatments.
• It establishes the acquisition of drugs under **Special Regime** procedure.
• Health entities are **obliged to acquire medicines that form part of the National List of Essential Drugs** (CNMB, for its Spanish acronym).
• Determines the following procurement procedures for the purchase of medicines:
  • **Very small amount:** decentralized purchase for minimum amounts or in situations of recurrence (urgent need).
  • **Institutional Investment Auctions:** decentralized purchase made by each entity.
  • **Direct contracting:** decentralized purchase for drugs with a single provider.
  • **Direct import:** decentralized purchase for specialized drugs that are not part of the CNMB.
  • **Acquisition with international organizations:** centralized purchase made through PAHO-WHO, UNFPA, and others.
  • **Corporative Reverse Auction:** pooled procurement implement through SERCOP.
CORPORATIVE REVERSE DRUGS AUCTION (SICM)

A transparent, efficient and dynamic procedure
WHAT IS THIS PUBLIC POLICY?

Centralized public procurement mechanism (monopsony) to supply medicines to the establishments of the Ecuadorian Public Health Network.

Assigned products become part of an electronic catalog of medicines, where parameters and technical specifications are standardized.

Trading conditions negotiated for 2 years, during which purchase exclusivity is granted to the awarded supplier.

Assigned price assumes = cost of the product + cost of delivery of the medicines at national scale + cost of replacement and incineration in case of expiration + cost of quality control tests.

Optimizes resources and reduces times of supply of medicines.

Avoid the falsification and dispersion of drug prices through atomized purchases.

Provides legal security and certainty to awarded suppliers.
HEALTH EXPENDITURE
• Total health expenditure represents 9% of GDP and 10% of the public budget.
• Health expenditure per capita is USD 579.
• Pharmaceutical represent 16% of total health expenditure and 44% of out-of-pocket expenditure.

PHARMACEUTICAL MARKET
• USD 1 500 – 2 000 million annually.
• 14 000 pharmaceutical products registered by the regulatory agency (70% brand name drugs and 30% generic drugs).
• Ecuador is the country with the highest number of pharmacies per capita in the region (1 * 2 303 inhabitants).
• Around 10% of essential medicines are not available in the local market.
Public Purchase of Medicines

- The public purchase has evolved between 6% - 12% of GDP.
- **USD 230-330 million** are transacted annually in the public drug market.
- 60% of the amount of public purchase of medicines is made through the centralized process.
- 50% of the public purchase of medicines is carried out by social security institutions.
- The Public Health System has 3,423 facilities able to purchase medicines.
- 9 suppliers concentrate 55% of the public purchase of medicines.

Source: Sistema Oficial de Contratación del Estado (SOCE)
Elaboration: SERCOP
SECTOR DIAGNOSTIC

NUMBER OF SANITARY CERTIFICATION FOR DIFFICULT MEDICINE ACCESS AND CATASTROPHIC DISEASES

60% of medicines had less than 2 sanitary certifications

Source: National Health Regulation, Control and Surveillance Agency (ARCSA)
Elaboration: SERCOP
PROGRAMMATIC ARTICULATION

Access to quality, safe and effective medicines

Health policy

Industrial policy

Development of local pharmaceutical industry and import substitution

Commercial policy

Drug procurement policy

Innovation policy

IP Regime for goods that guarantee fundamental rights

Access to new markets and balance in the trade balance

Competition policy

Elimination of anti-competitive practices
PRINCIPLES AND STAGES

GUIDING PRINCIPLES
- Right to health over economic and commercial interests
- Transparency and social control
- Automation and minimization of discretion
- Documentary review ex-post
- Concurrence and competition
- Preference and non-exclusivity

STAGES
1. PREPARATORY STAGE
   a. Update of information from suppliers.
   b. International Registry of Suppliers.
   c. Development of regulations.
   d. Development of specifications.
   e. Advisory Council.
   f. Adequacy of virtual platform.
   g. Dissemination Strategy.

2. PRE-CONTRACTUAL STAGE
   a. Publication
   b. Questions
   c. Answers
   d. Electronic submission of offer
   e. Automatic qualification
   f. Income of OGE
   g. Bid / negotiation
   h. Enabling delivery of documentation
   i. Award

   - Adherence
   - Competitive process
   - Ex-post verification of sanitary requirements
   - Fast-track process

3. CONTRACTUAL STAGE
   a. Evaluation of results
   b. Accountability report.
   c. Dissemination of results

4. POST-CONTRACTUAL STAGE
   a. Signing of Framework Agreements
   b. Cataloging (publication in repertoire of drugs)

   - Liquidity verification
   - Stock availability verification
   - Quality Control System
   - Inter-governmental coordination
REFERENTIAL PRICES METHODOLOGY

INFORMATION SOURCES

- Historical purchase prices of health institutions.
- Historical minimal prices of private pharmacies.
- Historical official prices established by National Pricing Council.
- Historical prices awarded of Corporate Reverse Drugs Auction 2011.
- Government purchase prices.
- Consumer prices.
Through the price analysis, we concluded that from the 11 countries with available prices, considering the two International Organizations, 7 of them publish reference prices for the public sector, while the rest present prices to the consumer, which implies a distinction according to the purchase destination.

<table>
<thead>
<tr>
<th>PURCHASE DESTINATION</th>
<th>COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PUBLIC PURCHASE PRICES</strong></td>
<td>Brazil, Bolivia, Mexico, Venezuela, Chile</td>
</tr>
<tr>
<td></td>
<td>Peru, Trinidad y Tobago, Organization of the Eastern Caribbean States –OECS-</td>
</tr>
<tr>
<td></td>
<td>Council of Ministers of Health of Central America –COMISCA-</td>
</tr>
<tr>
<td></td>
<td>(Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama y Dominican Republic)</td>
</tr>
<tr>
<td><strong>CONSUMER PRICES (MAXIMUM SALES PRICES)</strong></td>
<td>Brazil, Colombia, Argentina</td>
</tr>
<tr>
<td></td>
<td>India, El Salvador</td>
</tr>
</tbody>
</table>
IDENTIFY THE PRICE FOR EACH MEDICINE ACCORDING TO ITS ACTIVE PHARMACEUTICAL INGREDIENT (API), PHARMACEUTICAL FORM, CONCENTRATION AND PRESENTATION.

ANALYZE MEDICINE FORM AND PRESENTATION AND ESTABLISH ITS PRICE PER UNIT.

THE UNIT PRICE IS BASED ON THE PRESENTATION IN ITS MINIMUM EXPRESSION:

- **Oral solids.**- Price per tablet, pill, capsule, etc.
- **Oral solutions/liquids.**- Price per recipient, bottle, etc.
- **Semisolids.**- Price per tube.
- **Injectable solutions.**- Price per ampoule, vial, syringe, etc.

IN CASES WHERE IT WAS FOUND MORE THAN ONE PRESENTATION, A SIMPLE AVERAGE FOR UNIT OF MEASUREMENT WAS CALCULATED BETWEEN THEM.

**Example:** medicine with different presentation prices (Haloperidol)

<table>
<thead>
<tr>
<th>DRUG</th>
<th>PRICE PER ML</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haloperidol 2 mg/ml oral sol. x 20 ml</td>
<td>$22.33</td>
</tr>
<tr>
<td>Haloperidol 2 mg/ml oral sol. x 50 ml</td>
<td>$41.23</td>
</tr>
<tr>
<td>Haloperidol 2 mg/ml oral sol. x 15 ml</td>
<td>$52.41</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>$38.66</strong></td>
</tr>
</tbody>
</table>
The conversion of current prices to USD was made, using the exchange rate from the period July 2014 to June 2015.

In the countries that had prices of previous years to 2015, the cumulative inflation rate of each country in the respective period was used to bring these prices to the current year.

All prices in USD were adjusted by the Purchasing Power Parity (PPP) factor.

Once adjusted the prices, the statistical criteria was defined for the referential price of international source.
### PRICES AWARDED

**STRUCTURAL SAVINGS**

<table>
<thead>
<tr>
<th>DETAIL FOR 450 MEDICINES</th>
<th>USD (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Referential budget with prices of the Secretariat of Pricing (STFP)</td>
<td>883</td>
</tr>
<tr>
<td>Referential budget with SERCOP methodology of prices</td>
<td>606</td>
</tr>
<tr>
<td><strong>Amount awarded</strong></td>
<td><strong>278</strong></td>
</tr>
<tr>
<td>Savings by application of SERCOP methodology of prices</td>
<td>260</td>
</tr>
<tr>
<td>Savings by corporate auction execution.</td>
<td>346</td>
</tr>
<tr>
<td><strong>TOTAL SAVING</strong></td>
<td><strong>624</strong></td>
</tr>
</tbody>
</table>

*The total savings are the sum of the savings by the application of SERCOP’s methodology plus the total savings obtained from the corporate reverse auction execution, calculated for two years of validity of the contracts.*

**Source:** Sistema Oficial de Contratación del Estado (SOCE)

**Elaboration:** SERCOP

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**Average number of bidders per medicine**

8

**Average savings per medicine**

52%
PRICES AWARDED
AUCTION EXAMPLE

LOPINAVIR + RITONAVIR

Source: Sistema Oficial de Contratación del Estado (SOCE)
Available in: https://sicm.compraspublicas.gob.ec/
# PRICES AWARDED

## REGIONAL COMPARATIVE ANALYSIS

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>MANUFACTURER</th>
<th>LOCAL CURRENCY</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecuador¹</td>
<td>Mylan</td>
<td>(USD) <strong>0,18</strong></td>
<td>0,18</td>
</tr>
<tr>
<td>Chile²</td>
<td>Abbvie</td>
<td>(Peso chileno) <strong>735,00</strong></td>
<td>1,19</td>
</tr>
<tr>
<td>Colombia³</td>
<td>Legrand</td>
<td>(Peso colombiano) <strong>791,67</strong></td>
<td>0,28</td>
</tr>
<tr>
<td>Perú⁴</td>
<td>Pharmaris</td>
<td>(Sol) <strong>0,98</strong></td>
<td>0,30</td>
</tr>
</tbody>
</table>

**Sources:**

¹Prices awarded SICM 2016 - [https://catalogo.compraspublicas.gob.ec](https://catalogo.compraspublicas.gob.ec)
²Current drug prices - [https://www.cenabast.cl/compras-cenabast-vigentes/](https://www.cenabast.cl/compras-cenabast-vigentes/)
³Prices Thermometer - [https://www.minsalud.gov.co/salud/MT/Paginas/termometro-de-precios.aspx](https://www.minsalud.gov.co/salud/MT/Paginas/termometro-de-precios.aspx)
⁴National Information System of Prices - [http://observatorio.digemid.minsa.gob.pe/?over=1](http://observatorio.digemid.minsa.gob.pe/?over=1)
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<th>LOCAL CURRENCY</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecuador⁴</td>
<td>Janssen</td>
<td>(USD) 3,88</td>
<td>3,88</td>
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<tr>
<td>Chile²</td>
<td>Janssen</td>
<td>(Peso chileno) 7,350,00</td>
<td>11,91</td>
</tr>
<tr>
<td>Colombia³</td>
<td>N/D</td>
<td>N/D</td>
<td>N/D</td>
</tr>
<tr>
<td>Perú⁴</td>
<td>Johnson (Janssen)</td>
<td>(Sol) 14,94</td>
<td>4,57</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>COUNTRY</th>
<th>LAMIVUDINA + ABACAVIR</th>
<th>MANUFACTURER</th>
<th>LOCAL CURRENCY</th>
<th>USD</th>
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</thead>
<tbody>
<tr>
<td>Ecuador¹</td>
<td>Oxialfarm</td>
<td></td>
<td>(USD) 0,78</td>
<td>0,78</td>
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<tr>
<td>Chile²</td>
<td>GlaxoSmithKline</td>
<td></td>
<td>(Peso chileno) 3.891,00</td>
<td>6,30</td>
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<tr>
<td>Colombia³</td>
<td>Saluspharma</td>
<td></td>
<td>(Peso colombiano) 2.418,00</td>
<td>0,85</td>
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<tr>
<td>Perú⁴</td>
<td>N / D</td>
<td></td>
<td>N / D</td>
<td>N / D</td>
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### Sources:
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</thead>
<tbody>
<tr>
<td>Ecuador¹</td>
<td>Merck S&amp;D</td>
<td>(USD) 3,87</td>
<td>3,87</td>
</tr>
<tr>
<td>Chile²</td>
<td>Merck S&amp;D</td>
<td>(Peso chileno) 3.167,00</td>
<td>5,13</td>
</tr>
<tr>
<td>Colombia³</td>
<td>Merck S&amp;D</td>
<td>(Peso colombiano) 17.770,00</td>
<td>6,27</td>
</tr>
<tr>
<td>Perú⁴</td>
<td>Merck S&amp;D</td>
<td>(Sol peruano) 27,86</td>
<td>8,53</td>
</tr>
</tbody>
</table>

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<th>LOCAL CURRENCY</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecuador¹</td>
<td>Sinergium Biotech</td>
<td>(USD) <strong>172,76</strong></td>
<td>172,76</td>
</tr>
<tr>
<td>Chile²</td>
<td>Roche</td>
<td>(Peso chileno) <strong>303.060,00</strong></td>
<td>491,03</td>
</tr>
<tr>
<td>Colombia³</td>
<td>Roche</td>
<td>(Peso colombiano) <strong>997.202,24</strong></td>
<td>354,01</td>
</tr>
<tr>
<td>Perú⁴</td>
<td>Roche</td>
<td>(Sol) <strong>1.720,00</strong></td>
<td>526,53</td>
</tr>
</tbody>
</table>

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⁴National Information System of Prices - [http://observatorio.digemid.minsa.gob.pe/?over=1](http://observatorio.digemid.minsa.gob.pe/?over=1)
The unit cost per medicine in 2012 was **USD 0.29**, while in 2018 was **USD 0.09**. Without putting at risk the quality of medicines.
**DARUNAVIR**

Estimada entidad contratante,

Los recordatorios que previo a realizar una orden de compra, se debe REVISAR LA PRESENTACIÓN COMERCIAL DEL MEDICAMENTO CATALOGADO, mismo que consta en la Cálusula Decima Primera del Convenio Marco. Esto con el fin de garantizar la calidad y la idoneidad del medicamento y garantizar el cumplimiento del Convenio Marco.

<table>
<thead>
<tr>
<th>Proveedores</th>
<th>Especificaciones</th>
<th>Convenio</th>
<th>Archivos</th>
</tr>
</thead>
<tbody>
<tr>
<td>FARMEL FARMACOS Y MEDICAMENTOS CIA. LTDA.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Precio: $1,280.00

Estimado usuario, usted no está autorizado a comprar este medicamento.

<table>
<thead>
<tr>
<th>Atributo</th>
<th>Valor</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONCENTRACIÓN</td>
<td>600 mg</td>
</tr>
<tr>
<td>CONCENTRACIÓN ESPECÍFICA DEL MEDICAMENTO</td>
<td>600 mg</td>
</tr>
<tr>
<td>CONDICIONES DE ALMACENAMIENTO</td>
<td>CONSERVAR A TEMPERATURA NO MAYOR A 30°C</td>
</tr>
<tr>
<td>DUM</td>
<td>JGAE10SOR35X0</td>
</tr>
<tr>
<td>FECHA DE EMISIÓN DEL REGISTRO SANITARIO</td>
<td>2016-03-07 16:47:46</td>
</tr>
<tr>
<td>FECHA DE VIGENCIA DEL REGISTRO SANITARIO</td>
<td>2021-05-17 23:58:00</td>
</tr>
<tr>
<td>FORMA FARMACÉUTICA</td>
<td>Sólido oral</td>
</tr>
<tr>
<td>FORMA FARMACÉUTICA ESPECÍFICA</td>
<td>COMPRIMIDOS RECUBIERTOS</td>
</tr>
<tr>
<td>LICENCIA CONSEP / SETED</td>
<td>NO REQUIERE</td>
</tr>
<tr>
<td>NOMBRE COMERCIAL DEL MEDICAMENTO</td>
<td>DARUNAVIR COMPRIMIDOS RECUBIERTOS 600mg</td>
</tr>
<tr>
<td>NÚMERO DE REGISTRO SANITARIO</td>
<td>2147-NEC-0516</td>
</tr>
<tr>
<td>ORIGEN FABRICANTE</td>
<td>INDIA</td>
</tr>
<tr>
<td>PERIODO DE VIDA UTIL</td>
<td>24 MESES</td>
</tr>
<tr>
<td>PRECIO ADJUDICADO</td>
<td>1,280.00</td>
</tr>
<tr>
<td>PRESENTACIÓN COMERCIAL DEL MEDICAMENTO</td>
<td>CAJA X 1 FRASCO X 60 COMPRIMIDOS RECUBIERTOS + INSERTO</td>
</tr>
<tr>
<td>PRINCIPIO ACTIVO (DCI)</td>
<td>Darunavir</td>
</tr>
<tr>
<td>RAZÓN SOCIAL DEL FABRICANTE</td>
<td>HETERO LABS LIMITED</td>
</tr>
<tr>
<td>VÍA DE ADMINISTRACIÓN</td>
<td>ORAL</td>
</tr>
</tbody>
</table>

https://catalogo.compraspublicas.gob.ec/
ACQUISITION MONITORING PLATFORM

https://saludcontigo.compraspublicas.gob.ec/
Currently there are **450 products of the National List of Essential Drugs in e-Catalog for the Public Health System’s acquisitions.**

The centralized purchasing model allows to optimize the expenditure of medicines in more than **USD 300 million annually.**

Implementation of **permanent inter-governmental monitoring and coordination mechanisms** to identify preventive or corrective actions.

The **national supply is 95%**, despite a standard deviation in the initial needs planned.

**Standardization and automation of delivery-reception processes** of medicines in the National Health System institutions.

Implementation of **Alert System for Quality Control** allows to guarantee compliance with technical specifications.