

## Research Article



## Procurement and Distribution of Medicines in Government Sector of Kerala – An Overview

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### ABSTRACT

Over the years it has been established that accessibility of drugs is one of the priorities to improve health care. To overcome the problem of non-availability of drugs to the general public and to ensure steady supply of essential medicines at reasonable and affordable rate, couple of Indian States in 1994 ventured to introduce innovative methods in medicine procurement. It helped to make uninterrupted availability of essential medicines in their government hospitals. Many Indian states including Kerala have introduced centralized pool purchase system for procuring medicines for their hospitals. In this article we mainly focus on the drug procurement system adopted by the Kerala state. A systematic review of available literature and internet resources were performed. Official websites of the Govt of Kerala, Department of Health and Family welfare, Nutritional Rural Health Mission Kerala unit (Arogya Keralam) were reviewed. Information were also obtained from and other credible websites and also documents obtained through search engines like google. Various articles published by reputed journals and government orders were reviewed. The existing system of Drug Procurement and Distribution needs to be upgraded and our conclusion is that there is a need for a new alternative Drug Procurement and Distribution system which is both affordable and effective for the provider and the beneficiary.

**Keywords:** Kerala Drug purchase, Government Drug procurement Kerala, KMSCL procurement, Drug procurement system.

### INTRODUCTION

Kerala is a state in southern peninsular India. The state is geographically divided into coastal belt, midlands and highlands. The state has a population of 31.84 million according to 2001 census of which only 26% reside the urban areas.

The state has 14 districts with 63 taluks, 152 developmental blocks, 999 panchayaths, 1452 villages, 5 municipal corporations etc. There are 13 medical college hospitals, 18 district headquarters/general hospitals, 114 community health centers, 929 primary health centers, 5568 sub-centers and 1274 health care institutions registered with the Directorate of Health Services.

The total budget allotted for public health for the year 2010 – 2011 is Rs 166 crores and the state expects Rs 300 crores by funding under National Rural Health Mission. Out of Rs. 166 crore allotted Rs. 145 crore is set apart to procure drugs through the Kerala Medical Services Corporation Limited – which translates to an 87.3% spending in drugs alone.

Until 2007 medicines for various health care institutions through a central purchase council. This system was setup in 2005 through a government order issued in 2004. Under this system, list of drugs were drawn up by institutional level committees. These committees were required to raise a list of drugs based on disease pattern, population etc. The list would then be discussed by a state level committee, which would be headed by the Director of Medical Health Services.

The state level committee prepares a list of drugs to be purchased and forwards to the central purchase

committee with the help of technical evaluation committee specifications are drawn and tenders are invited. Following receipt of bids, a contract is signed following which the vendor is required to send drugs to the hospital directly. However the process took a long time to complete, and often hospitals had to purchase essential medicines on their own in addition to the supplies received from the CPC order.

Prior to introduction of this system, a CPC existed since 1984, which decided on rate contracts and purchases were done directly by institutions. However the lack of a procurement policy had led to uneven procurements which resulted in poor quality and poor cost effectiveness. The set up of the revised CPC in 2005 was the first step in the procurement of essential drugs and supplies. The Kerala Medical Service Corporation Limited (KMSCL) was set up in 2007 to overcome the handicaps of the CPC.

### MATERIALS AND METHODS

A systematic review of available literature and internet resources were performed. Official websites of the Government of Kerala, Department of Health and Family Welfare, Nutritional Rural Health Mission Kerala Unit (Arogya Keralam) were reviewed. Information were also obtained from other credible websites, documents and through search engines like google. Various articles published by reputed journals and government orders were reviewed.

### Kerala Medical Services Corporation Limited

The KMSCL is 100% government owned and was setup under the Companies Act 1956. The company with



authorized share capital of Rs. 10 crore was setup in April 2008, and commenced its operations immediately by establishing District Drug Warehouses in all 14 districts in the State to cater to the needs of 1316 Health Care Institutions under the State Health Services Department and 16 institutions under six Government Medical Colleges in the State.<sup>1</sup>

The company is setup with objectives to implement a system for purchase and the distribution of drugs, supplies and equipments in the Department of Health services and Medical Education to ensure complete transparency in all its operations and to stock and procure quality drugs and medical items at competitive prices.

The corporation also introduced measures to reduce pilferage of drug and also to promote the rational use of drugs in the state.

The Corporation is diversifying its activities by providing Bio-Medical equipments, computers etc. As a part of a foolproof quality check of medicines, all batches received as a part of supply have been tested in accredited labs in the country. Through this, the Corporation ensures providing quality medicines at affordable rates. The process of procurement and distribution of medicines has been streamlined. Computerization, pass book system and essential drug list have been established.<sup>2</sup>

The main objectives of the Corporation

1. To implement a transparent system for procurement, storage and distribution of quality drugs, supplies, equipments etc. required for the hospitals and make it available at reasonable competitive price.
2. To ensure adequate savings in the Drug budget by scientific forecasting system based on the preparation of Essential Drug List and its actual consumption.
3. Monitoring the Budget and drug consumption pattern by introducing pass book system.
4. To avoid loss due to expiry of Drugs and medical items and to optimize accountability at all levels.
5. To achieve constant quality control monitoring of Drugs and medical items by establishing adequate quality assurance measures.
6. To adopt a streamlined procedure for procurement, storage and distribution through IT enabled services like e-tendering & e-procurement
7. To improve infrastructure of the existing Drug warehouse in District.
8. Suitable transport system for lifting drugs from drug warehouses to institutions.
9. To provide diagnostics and other miscellaneous services to Government healthcare institutions.
10. To enhance public healthcare services, delivery by providing excellent management control and constant

vigil.

11. To introduce effective feedback system.

Following is the constitution of the KMSCL Board of directors

- 1) Secretary to government, Department of Health and Family Welfare (ex-officio, chairperson).
- 2) Special secretary to government (Vice chairperson)
- 3) State Mission Directors (NRHM)
- 4) Additional Secretary to government finance department
- 5) Director of Health service (DHS)
- 6) Director of Medical Education (DME)
- 7) Drug controller
- 8) An expert in pharmaceutical sciences
- 9) Managing director (an IAS officer)

The corporation has implemented a centralized Drugs Logistics Management System (DLMS) and a Drug Distribution Management System (DDMS).

This system helps in all drug dealings, effective control of stock, and reduced pilferage of drugs.

A technical committee (expert committee) having the following members is responsible for deciding the list of medicines by the corporation.

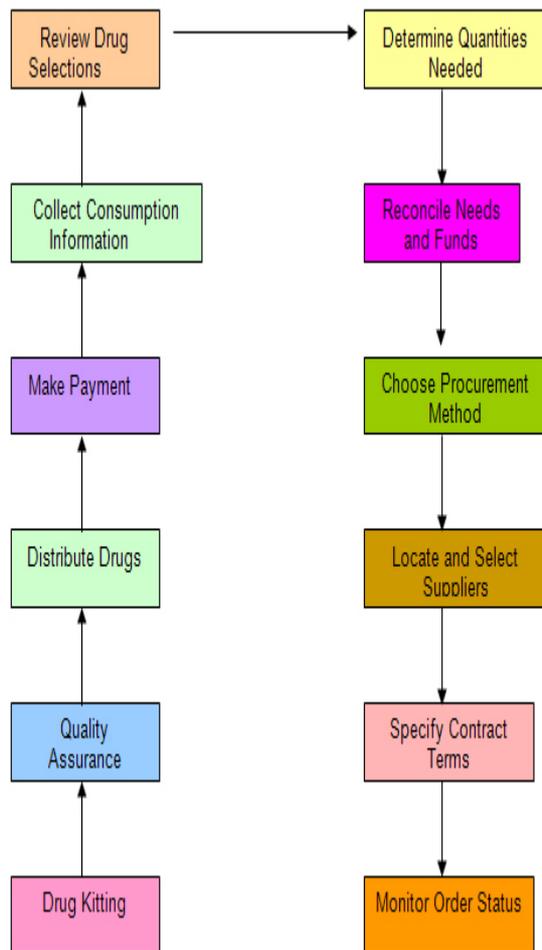
- 1) Director of Medical Education
- 2) Director of Health Services
- 3) Drug controller
- 4) State Mission Directors (NRHM)
- 5) 2 senior doctors, one each nominated by DHS & DME
- 6) A subject expert in pharmaceutical sciences

#### Procurement Procedure

The purchase procedure is very similar to the system followed by TVMSCL.<sup>3</sup> Government have constituted a Technical Committee (Expert Committee) in the Corporation to prepare the list of medicines to be procured by Corporation. Tenders (invitation for bid) are made every year. This is advertised in four newspapers (two Malayalam and two English) the Indian Journal of trade and on the website [www.arogyakeralam.com](http://www.arogyakeralam.com). On the basis of the recommendations of the Technical Committee, Corporation has finalized the List of Essential Drug which consists of 527 items of generic medicines, sutures, surgical and other items. Based on the annual requirement of medicines & supplies furnished by the DHS and DME, Corporation does the tender process. KMSCL floated its first tender on 30.01.2008 in which a record number of 173 reputed companies from all over the country participated. The process usually occurs around February each year.<sup>4</sup> The KMSCL also works on a



two bid system. Cover 'A' a technical bid which is the qualification to participate in a price bid (cover B).



**Figure 1:** Procurement cycle

The corporation has set the following eligibility criteria

- 1) The tenders should be given by a manufacturer having valid drug manufacturing license or a direct importer having valid import license – loan license, suppliers and distributors are not eligible.
- 2) The company should have an average annual turnover of not less than 5 crores each year for the past 3 years.
- 3) The tenders should have a market standing of at least 3 years (one year in case of surgical).
- 4) The company should not have been black listed by KMSCL or any other agencies.
- 5) Companies should have adequate production capacities to meet demand of KMSCL.
- 6) The company should also hold CGMP certification.

All the tenders are required to make Earnest Money Deposit (EMD) which is refunded if the tenderer fails the technical bid.

Only the companies successful in the technical bid are allowed to participate in the price bid (opening of cover

B). The lowest bidder is designed as L. A list of such bidders are displayed on the corporation website. The successful bidder is required to sign a contract within 30 days of announcement of contract.

If some bidders are quoting prices similar to or around "L1" they are allowed to match price of L<sub>1</sub>. The contract may be split and given to two manufacturers at the discretion of the company, to ensure uninterrupted supply.

The rates quoted and accepted in bidding on the tenders and no changes are entertained during the validity period of tender. A price preference of up to 5% is allowed to small scale industries or central / state undertaking manufacturing in the State of Kerala. The company may insist on a company visit before the contract is awarded.

The successful tender is required to pay up a security deposit. At least 25% of the supply should be started within 30 days from the date of purchase order and should be completed within 60 days from the date of purchase order. However, supplies up to 90 days are allowed with liquidated damages. The supply is made by the manufacturer to the designated KMSCL warehouse. KMSCL has 14 warehouses across the state (one in each district headquarters). Hospitals and other institutions are required to obtain their stock from the nearest warehouse.

Only 90% of the hospital needs are met through KMSCL. The hospitals are allowed to spend 10% of their drug budget on procuring items locally. However, the current system does not have a policy of buffer stock and hospitals are required to turn to local supply when KMSCL is unable to deliver.

## RESULTS AND DISCUSSION

The findings of the study suggest that a system may be developed to supply quality generic drugs to the patients through 24x7 drug outlets at District Head quarter hospitals at affordable cost to minimize the out of pocket expenditure especially for the drugs which are not supplied by the Facilities.

Hence there is a need to come up- with an alternative drug delivery system which is both affordable and sustainable for the provider and the beneficiary.

## CONCLUSION

Keeping in view the emerging challenges in the health care delivery due to changing morbidity patterns it becomes an imminent need to broaden the spectrum of both basic and advanced diagnostic services through a low cost mechanism on a 24 hour basis.

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- \*\* The Kerala Medical Services Corporation Limited (KMSCL) is responsible for the procurement of essential drugs and its supply in the state.
- \*\* Procedure of Procurement.

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