



Using strategic public procurement to rationalise health expenditures

The example of Mexico

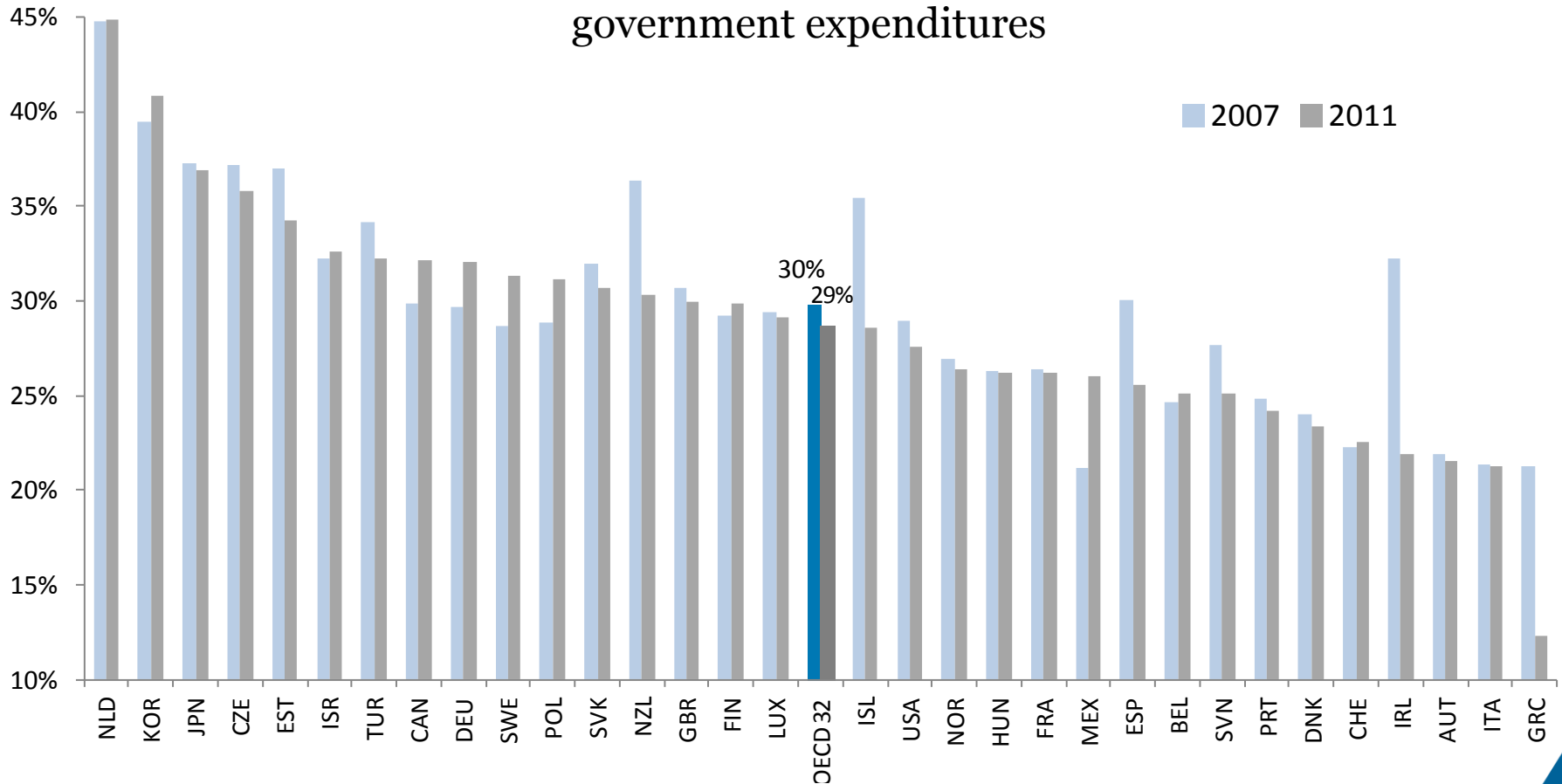
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Public procurement represents a third of government spending on average in OECD countries

General government procurement as share of total general government expenditures



Source: OECD National Accounts Statistics

Note: Data is not available for Australia and Chile. Data for Canada, Japan, Korea, Mexico, New Zealand and Turkey refers to 2010.

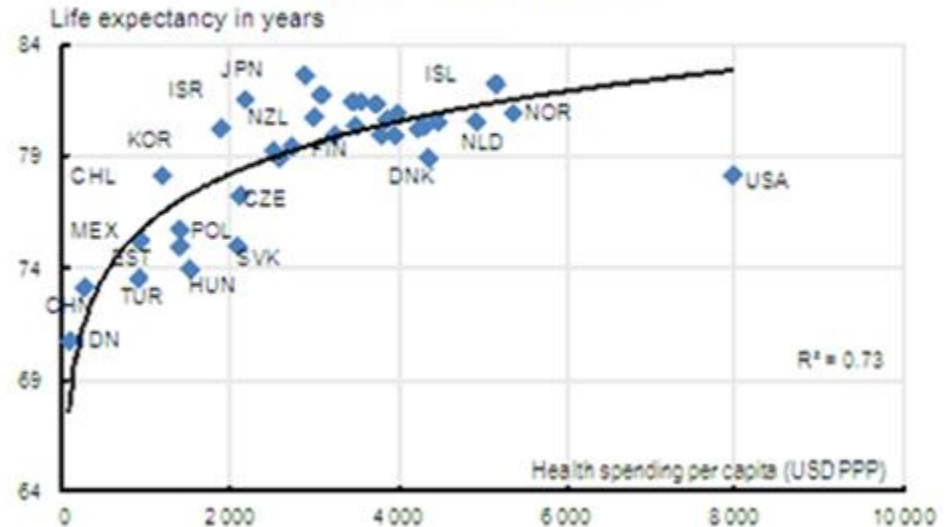


Health care spending is the factor most contributing to health status

Contributions of main explanatory variables to changes in health status, 1991-2003

Explained by:	Gains in life expectancy at birth		Decline in infant mortality rate
	Women	Men	Deaths per 1 000 live births
	Years		
Health care spending	1.14	1.34	-2.53
Smoking	0.00	0.12	-0.21
Alcohol	0.06	0.07	-0.24
Diet	0.02	0.02	0.03
Pollution	0.15	0.29	-0.75
Education	0.50	0.49	-0.89
GDP	0.11	0.63	-1.01
Observed changes	2.49	3.45	-4.67

Life expectancy at birth and health spending per capita, 2009 (or latest year available)



Source: (2011), How's Life? Measuring Well-being, OECD Publishing, Paris.

- Health represents 14% of total government spending on average in OECD countries

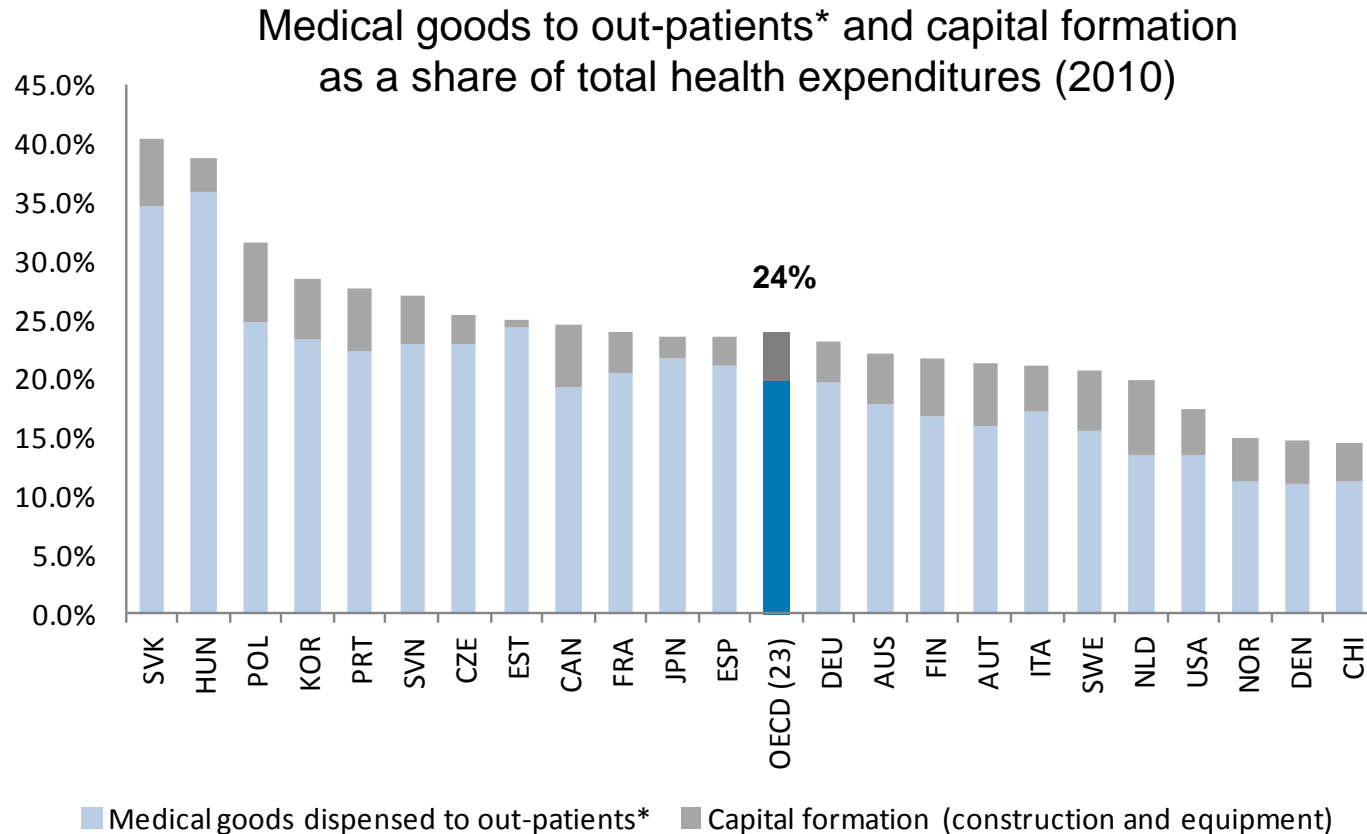


Health care spending provides ample opportunities for cost effectiveness

- Public health care spending could increase by 3.5% to 6% of GDP between 2005 and 2050 across OECD countries.
- Waste, fraud and corruption result in significant loss of resources, limiting the level and quality of services provided
 - In developed countries, fraud and abuse in health care is estimated to cost individual governments as much as USD 23 billion per year (WHO)



A significant share of health care spending is done through procurement



Source: OECD Health database

Notes:

- 1) An out-patient is defined as a person who goes to a health care facility for a consultation/treatment, and who leaves the facility within several hours of the start of the consultation without being “admitted” to the facility as a patient.
- 2) Complete data not available for Belgium, Greece, Iceland, Ireland, Israel, Luxembourg, Mexico, New Zealand, Switzerland, Turkey and United Kingdom. Data for Australia, Chile and Japan refers to 2009.



How to achieve savings in the purchase of medicines: the role of competition

A 2011 study of the French Social Security on generic drugs in Europe shows that:

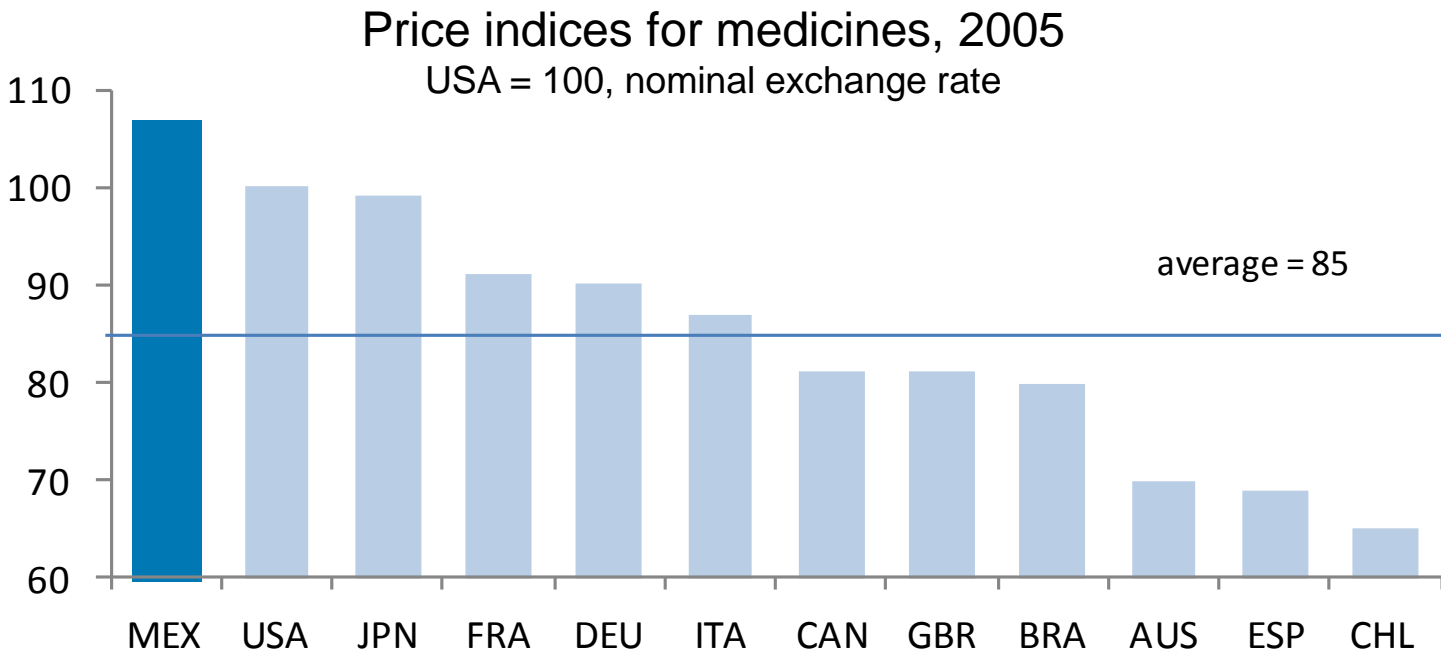
- the average price of 74 main generic molecules by standard units varies by as much as 600% in Europe
- higher savings are achieved through a competitive procurement process than through a discount system

Source: French Social Security, *Caisse Nationale d'Assurance Maladies*, Information Point, September 2011, in OECD (2012) "Progress made in implementing the OECD Recommendations on Enhancing Integrity in Public Procurement: Report to Council"



Findings from OECD Public Procurement Reviews in the Mexican health sector

In 2005, Mexico's pharmaceutical prices were the highest among a sample of 12 countries.





Mexico recently reduced prices through increased consolidation and competition

- Internal consolidation (*e.g.* consolidated contracts issued at the central level)
- Joint negotiation of unique nation-wide prices for patented medicines
- Joint competition of unpatented medicines and medical equipments
- Enhanced competition, including use of reversed auctions

Estimated savings from reverse auctions by IMSS (2009-2011)
(USD million)

Year	Category	Contract value	Estimated savings	% of estimated savings
2009	Medicines	605.6	64.9	10.7
2010	Medicines	185.3	4.7	2.5
	Health material			
2010	Mammography	3.6	0.9	27.4
2010	Vehicles	4.4	0.2	3.2
2011	Medicines	41.9	2.4	5.8
Total		840.7	73.0	8.8



But it's not all about savings!

Strategic public procurement can improve health services by:

- Increasing the performance and output of the equipments and services acquired
 - *E.g.* more effective medical equipments reduce the time required for a specific treatment or test and allow more citizens to be treated
- Better ensuring the availability of the medicines and products required by the medical units
 - *E.g.* in a context of budget uncertainty or fluctuation, flexible procurement vehicles allow to expedite the process while providing the best conditions (including prices)



Remaining challenge: data for evidenced-based decision-making

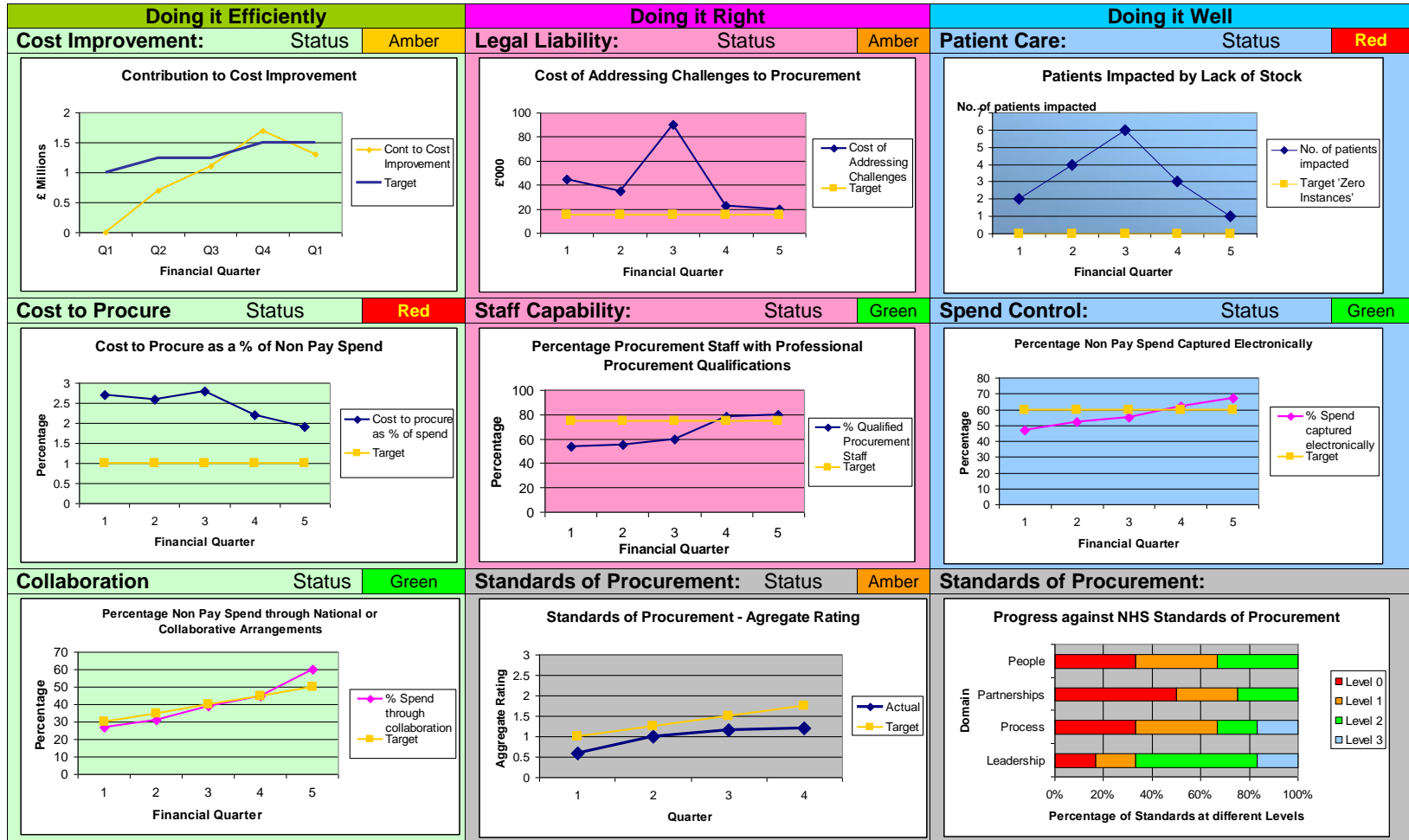
- Half of health care services are provided without any evidence about their effectiveness

- There are initiatives in various countries to monitor the performance of health systems

- *“If you cannot measure it, you cannot improve it”
Lord Kelvin, 1824-1907*
- *Management of health systems (e.g. cost and budget)*
 - provide significant insights to senior management and key decision makers
 - promote scrutiny by the civil society and constrain corruption



Performance dashboard in the UK Department of Health



Source: Department of Health (2012a), "NHS Procurement Dashboard Model: Summary of feedback on NHS Procurement Dashboard", Version 1 dated 28 October 2012 in OECD (forthcoming), *Public Procurement Review of the Mexican State's Employees' Social Security and Social Services Institute (ISSSTE)*.



OECD Public Procurement Reviews can help

- Based on international good practices recognised by the *OECD Principles for Enhancing Integrity in Public Procurement*
- Focused on the whole procurement cycle to assess the main strengths and gaps
- Provide tailored options to increase the efficiency, transparency and integrity of the procurement function
- Promote dialogue through the active participation of senior procurement leaders from the health sectors of OECD countries

According to the Mexican Institute for Competitiveness, IMSS saved 3.3% (approx. 20 million Euros) in procurement spending on medicines in 2011 and increased by 34% the number of bidders as the result of its collaboration with the OECD on public procurement

Source: Instituto Mexicano para la Competitividad (August 2012), “Evaluación del Acuerdo de Trabajo IMSS-OCDE-CFC, Segunda entrega”, www.imco.org.mx



Selected OECD public procurement resources

www.oecd.org/governance/ethics/

OECD Principles for Integrity in Public Procurement

Integrity in Public Procurement
GOOD PRACTICE FROM A TO Z

OECD Public Governance Reviews
Public Procurement Review of the Mexican Institute of Social Security
Enhancing Efficiency and Integrity for Better Health Care
HIGHLIGHTS

OECD Public Governance Reviews
Public Procurement Review of the Mexican State's Employees' Social Security and Social Services Institute
A strong procurement function for a healthy public service

forthcoming

Public Procurement for Sustainable and Inclusive Growth
Enabling reform through evidence and peer reviews

Progress Made in Implementing the OECD Recommendation on Enhancing Integrity in Public Procurement

OECD PUBLIC PROCUREMENT REVIEW of the **United States Federal Government**

ADVANCE COPY

Fighting Bid Rigging in Public Procurement in Mexico

A Secretariat report on IMSS' procurement regulations and practices

2011



Thank you for your attention !

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