Good Practices in Social Security

Good practice in operation since: 2013

Consolidated procurement

A case of the Mexican Social Security Institute

Mexican Social Security Institute
Mexico
Summary

Consolidated procurement is when multiple contracts for medication and healthcare supplies from multiple healthcare providers are bundled together in a single tender.

The advantages of this for social security and the healthcare system include:

- Better prices and higher quality in medication and medical supplies: public-sector procurement is not fragmented, which leads to more aggressive competition among bidders and may consequently enable savings to be made – public-sector healthcare providers can thus reduce their costs and enjoy healthier finances.
- An increase in supply levels, improving user perception of healthcare services.
- Timely delivery.
- Increased transparency in tenders: agreements can be struck with the private sector committing themselves to self-regulation, which increases competition in procurement processes.
- Support from external actors, which improves governance of the process.

The issue or challenge

What was the issue or challenge addressed by your good practice? Please provide a short description.

In the period 2007–2012, the Mexican Social Security Institute (Instituto Mexicano del Seguro Social – IMSS) came under financial pressure, partly due to the demographic transition and the shift from infectious diseases to chronic degenerative diseases affecting mainly those over 60.

Between 1970 and 2015, the number of over-60s in Mexico increased almost five-fold, from 2.7 million to 12.4 million.

In 1973, there were 14 workers to every pensioner; by 2016, this figure had dropped to five.

From 2013 onwards, the options were: (1) suffer a shortfall in the supply of healthcare services or (2) allocate resources efficiently in order to boost the productivity and quality of healthcare services and improve access to them.

Addressing the challenge

What were the main objectives of the plan or strategy to resolve the issue or challenge? List and briefly describe the main elements of the plan or strategy, focusing especially on their innovative feature(s) and expected or intended effects.

The management of the IMSS is currently based on three main pillars:

1. **Continue strengthening the Institute financially.**
2. Maintain and streamline the processes to simplify administrative procedures and modernize infrastructure and equipment, as well as take measures to prevent and diagnose diseases in a timely manner.
3. Improve the quality of healthcare services and make them more user-friendly as a priority for the next years.

As part of the financial strengthening of the Institute, measures have been taken to reduce spending, including consolidated procurement of medication and other healthcare supplies.

Targets to be achieved

What were the quantitative and/or qualitative targets or key performance indicators that were set for the plan or strategy? Please describe briefly.

Ensure that resources for the procurement of medication and healthcare supplies are allocated efficiently in order to increase the productivity and quality of healthcare services and improve access to them. Right from the initial planning stage of consolidated procurement, the Institute foresaw that reducing purchasing costs would mean:

- Financial savings.
- Improved supply.
- Increase in the percentage of prescriptions filled.
- Improved user perception of the service.
- Increased transparency: simplifying the process facilitates the use of electronic methods, which provide transparency and enable external actors to be involved and agreements to be signed with the national private sector.

Evaluating the results

Has there been an evaluation of the good practice? Please provide data on the impact and outcomes of the good practice by comparing targets vs actual performance, before-and-after indicators, and/or other types of statistics or measurements.

The IMSS Director General, along with his team, monitors progress with the consolidated procurement of medication on a weekly basis, which enables the maximum possible savings while still avoiding potential undersupply.

From 2012 to 2017, 14,214 million Mexican pesos (MXN) were saved, of which MXN 8,433 million accrued to the IMSS. This funded a 23 per cent increase in units purchased; the price per unit fell from MXN 36.02 in 2012 to MXN 33.07 in 2017, and the number of prescriptions filled increased from 14 million in 2012 to 18.2 million in 2017.

Achievements from the last consolidated purchase (2016–2017):

- 1,371 contracts were awarded: 652 of these were for medication, 594 were for medical supplies and 125 were for patented medication and therefore sole-source.
- The total amount awarded by all entities this year is the highest since consolidated procurement began, with a total award of MXN 41,861 million – an increase of eight per cent on the MXN 38,779 million awarded in the financial year 2015–2016.
- A significant reduction in the number of breached contracts was recorded, with a 36 per cent decrease for medication and a 42 per cent decrease for medical supplies as against last year.
• A saving of MXN 3,352 million was realized, of which 2,291 million accrued to IMSS. This saving benefited all those involved in consolidated procurement. This year, the participating institutions and federal bodies made an average saving of seven per cent on the maximum reference price initially set.

• This saving enabled more units of medication to be purchased. In 2012, 814 million units were purchased, while in 2017, 964 million units were purchased, marking an increase of 18 per cent with a lower overall spend.

• The average unit price decreased by around three per cent: in 2012, this was MXN 31.6, while in 2017 it stands at MXN 30.7.

• Purchasing more units ensures sufficient medical supplies to treat all beneficiaries: in 2016, 98.5 per cent of all prescriptions were filled, with around 16.4 million prescriptions issued monthly. This was ten per cent more than in 2015 and 14 per cent more than in 2013. For the period July to November 2016, this figure remained above 99 per cent in medical units.

• The number of complaints due to failure to supply medication was at its lowest since 2013. In the period January to August 2013, 4,889 complaints were received due to lack of availability. In the same period in 2016, 788 complaints were received nationally due to lack of availability, which marked an 83 per cent decrease compared with the same period in 2015 and an 86 per cent decrease from the same period in 2014.

Lessons learned

Based on the organization’s experience, name up to three factors which you consider as indispensable to replicate this good practice. Name up to three risks that arose/could arise in implementing this good practice. Please explain these factors and/or risks briefly.

The consolidated procurement model can be replicated in and adapted to other countries as social security systems elsewhere are coming under similar financial pressure due to the demographic transition and the increased prevalence of chronic degenerative diseases. However, this good practice may be replicated more readily if:

• The healthcare system currently has multiple actors purchasing separately.

• Multiple contracts for medication and healthcare supplies are included in a single tender, which allows providers to generate synergies that would not be possible if separate tenders were issued, meaning they can reduce costs and offer the public sector lower prices.

• Fewer tenders are issued, which enables supply planning to be improved and missed deliveries to the public sector to be reduced.

Meanwhile, the IMSS experience of this process reveals a number of inherent risks:

• External entities must be involved for the process to be transparent and inclusive.

• All medication and supplies that need to be purchased must be included: to this end, it is advisable to draw up a basic table of supplies to be purchased.

• Direct purchasing must be authorized: participating institutions must be in control of the procurement process.