

MEDICAL PROCUREMENT IN THE PROZORRO SYSTEM:

observations



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This report was prepared by the team of a program implemented by Transparency International Ukraine. The opinions expressed by the authors do not necessarily reflect the position of the management or administration of Transparency International Ukraine. The data and sources used for this report may change after the report is published.

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We have verified the accuracy of the information in this report and believe that it was true as of October 2018. However, Transparency International Ukraine carries no liability for the consequences of using this information for other purposes or in other contexts. This publication was made possible with the support of the USAID- and UKaid-funded Transparency and Accountability in Public Administration and Services (TAPAS) program, the Eurasia Foundation, the Omidyar Network and the EBRD. Transparency International Ukraine is solely responsible for the content of this publication and it should not be seen as a reflection of the official positions of USAID, UKaid, the Eurasia Foundation, the Omidyar Foundation, or the EBRD.

We are enormously grateful to those who contributed to this report: Oleksandr Ananich, Viktor Nestulia, Tetiana Koba, Yevhen Honchar, and Ivan Loboda.

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Kyiv, 2018



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ABBREVIATIONS

| | |
|-------------|--|
| CCEC | classification codes for local budget expenditures and credits |
| CE | communal enterprise |
| CF | communal facility |
| CHCF | community healthcare facility |
| CMU | Cabinet of Ministers of Ukraine |
| CNCE | communal non-commercial enterprise |
| CPA | central procurement agency |
| HCD | healthcare department |
| HCF | healthcare facility |
| INN | International Nonproprietary Names are unique names for active ingredients in medical preparations, also known as generic names, recognized by WHO |
| ISO | international specialized organizations |
| MOH | Ministry of Healthcare |
| NHS | National Health Service of Ukraine |
| PCF | primary care facility |
| WHO | World Health Organization |



INTRODUCTION

Although changes in medicine are not generally associated with procurement, there is a direct link between them. Any goods or services, be it a stethoscope, a tomographic apparatus, cough medicine, or medications to treat Hepatitis C, first need to be purchased. And whether the necessary medication or equipment will be available in hospitals depends on how procurement is planned and carried out.

This report provides information about procurement in healthcare departments (HCDs) and healthcare facilities (HCFs) in Ukraine. We took into consideration the data available in the ProZorro public procurement system and used the professional BI module of ProZorro to analyze them.

This report was prepared by Transparency International Ukraine's innovation projects program team in order to provide a clear picture of HCD and HCF procurement as of October 1, 2018. This report is very timely in the context of the healthcare reform, which was launched in 2018 with changes to the provision of primary care. This has also affected procurement, as it introduces new approaches to providing patients with medication, increases the authority of HCFs, institutes a National List of Essential Medicines,¹ establishes a centralized procurement agency, and more. This way, the result of our analysis not only reflects procurement trends at HCDs and HCFs, but also demonstrates the impact of the healthcare reform on these processes.

¹ A list of medications that the state guarantees free of charge to in-patients.



The **first section** of the report contains information about how medications get to patients. Among other things, it talks about the current approaches to ensuring that patients get medications and the changes that are taking place as a result of the healthcare reform.

The information in this section will be useful for those who want to learn about innovations in procurement of medications.



The **second section** provides statistics about HCD and HCF procurement. The report looks not just at medications and medical supplies, but at the entire range of medical goods and services that a functional hospital needs: furniture, office equipment, food services, and so on.

It also contains information about the main trends and emerging problems with procurement at HCDs and HCFs, economic and competitive indicators, and so on, all of which can be used by employees at the Ministry of Healthcare, HCDs and HCFs to have a more detailed understanding of specific aspects of procurement and make better decisions going forward.



REVIEW OF MEDICINES AND MEDICAL SUPPLIES PROCUREMENT REFORM

As of October 2018, there are a number of ways that medicines and medical supplies can reach a patient, including through:

- procurement by international specialized organizations (ISOs);
- procurement by healthcare departments and facilities, as well as by the SBU, MIA, National Academy of Medical Sciences of Ukraine, etc.;
- reimbursements under the “Affordable Medicines” program, reimbursements for the cost of insulin² and for medications issued to those who are eligible for discounts, which are paid for by local governments.³

PROCUREMENT BY INTERNATIONAL SPECIALIZED ORGANIZATIONS



Starting in 2015, centralized procurement⁴ of medicines and medical supplies was transferred from MOH to international specialized organizations. This decision did not affect the procedure for decentralized procurement handled by HCDs and HCFs.

The state temporarily delegated these powers to ISOs until March 31, 2019, because of the inefficiency and corruption that had surrounded such purchases at MOH prior to 2015. The SBU, in particular, noted that the corruption component added 40% to the overall value of medical purchases prior to 2015.⁵

All medicines and medical supplies that are bought through ISOs are supposed to undergo mandatory registration in Ukraine. Given that this requirement could have constituted a barrier for Ukrainian patients to have access to unregistered foreign preparations that provided the necessary effect, MOH approved an accelerated registration procedure that allowed suppliers of pharmaceuticals to meet this requirement more quickly.

² Cabinet Resolution №239 “Certain issues regarding the reimbursement of the cost of insulin” dated March 23, 2016. bit.ly/2Cf49e2 (access: October 2018)

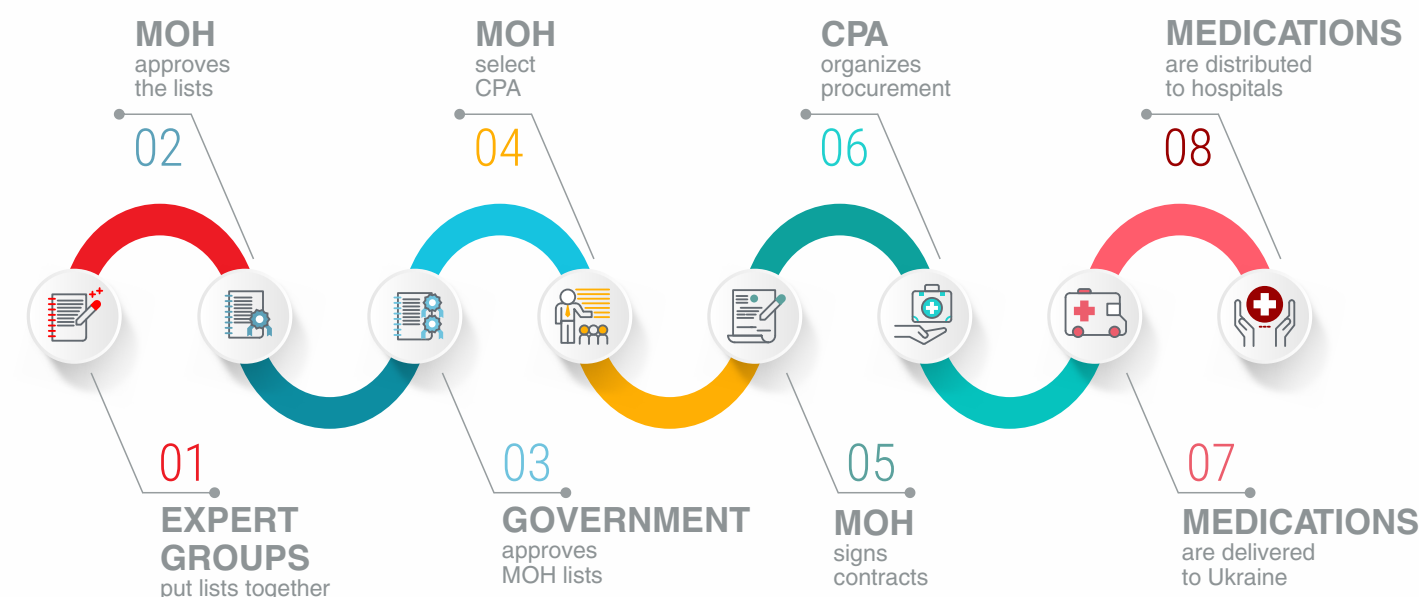
³ Cabinet Resolution №1303 “On organizing the free and discounted issuing of medications under doctors’ prescriptions during out-patient treatment of eligible individuals and for specific categories of illness” dated August 17, 1998. bit.ly/2OK2YtV (access: October 2018)

⁴ Procurement funded by the state budget falls under CCEC 23014000.

⁵ FAQs about international procurement on the MOH website, May 24, 2018. bit.ly/2PfJlBz (access: October 2018)

Prior to the start of the procurement process, a group of experts at MOH, jointly with an ancillary group of technicians, prepare the nomenclature, which is then approved by a working group under the Ministry. Afterwards, they collect information about regional needs,⁶ based on which annual lists of necessary medicines and supplies are formed to cover every government program, such as HIV-AIDS, Hepatitis C, etc. This list of basic medicines and supplies is then approved by Cabinet resolution.⁷

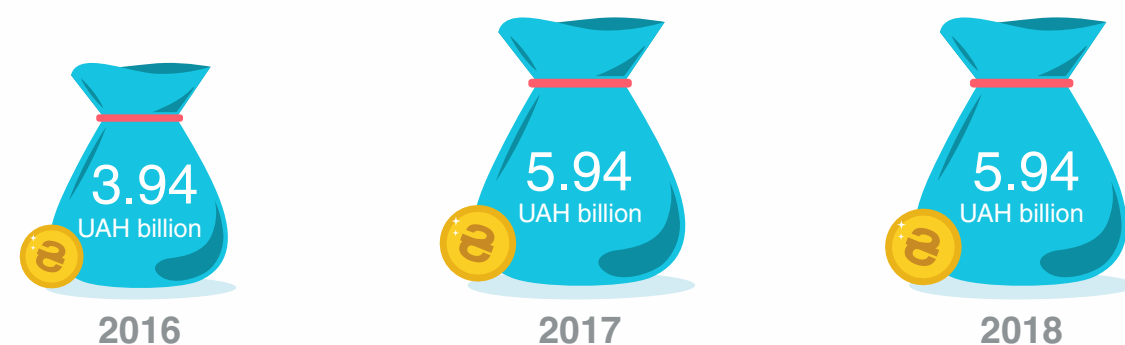
In addition, based on the established nomenclature and collected data about needs, the appropriate technical specifications are approved. Among the ISOs identified in law, MOH selects those that will handle the given purchases, signs contracts with them, and issues prepayments. Based on this, the ISOs then hold their own tenders and procure the medications based on the technical specifications in an annex to the agreement between MOH and each ISO, which contain a list of items to be purchased, the quantities and the available budget. The medications are then delivered to Ukraine to the warehouses of MOH’s logistics enterprise, which then delivers them to the various oblasts.



⁶ Letter to the Healthcare Department of the Kyiv Municipal State Administration’s executive. <http://bit.ly/2PjcaTc> (access: October 2018)

⁷ Cabinet Resolution №278 «On approving the list of medical preparations and supplies that are procured under purchase agreements with specialized organizations that purchase such medical items in line with Budget expenditures planned for 2018 under the ‘Ensuring Medical Means for Individual State Programs and Comprehensive Measures of an Ongoing Nature’ program» dated March 28, 2018. bit.ly/2E3fxMT (access: October 2018)

For the procurement of medications through ISOs, the state budget provided:



In 2018, medications were purchased to cover 40 different areas in the state program, which included nearly 500 preparations and 700 medical supplies. Notably, the funding allocated in the state budget covers only about 45% of what is needed. Certain areas of the program are also not equally provided for. For instance, adult cancer treatment is only 30% covered, while juvenile dialysis is covered 100%.⁸

The international specialized organizations⁹ that signed an agreement with MOH in 2018 and are handling centralized procurement of medications include:

- UNICEF in Ukraine
- The United Nations Development Program (UNDP)
- Crown Agents Ltd.

Given that the law provides for centralized procurement through ISOs only until March 31, 2019, the question of how this will occur going forward arises. Acting Health Minister Ulana Suprun has repeatedly emphasized the temporary nature of handing over procurement of medications to ISOs and has talked about the Ministry's plan to set up a separate agency to handle procurement of medications.¹⁰ The Government approved a Concept¹¹ that provides for setting up a centralized procurement agency (CPA) in 2018 with the support of international organizations.

According to the Concept, the CPA will handle the requests of buyers of medicines and medical supplies, including through purchases on global markets. The CPA is expected to purchase medical preparations centrally within the context of strategic programs, such as

vaccines and combating infectious diseases, at state cost, as well as expensive patented medications. In addition, it's worth noting that the function of purchasing medications for local facilities is supposed to also be transferred to the CPA for economies of scale, which should lead to optimized prices and terms for buying from suppliers.^{12,13}

To ensure the uninterrupted supply of medications to patients, the programs whose procurement is currently being handled by the ISOs are planned to be gradually transferred to the newly established CPA over 2019-2020.

PROCUREMENT FOR HEALTHCARE DEPARTMENTS AND FACILITIES



In contrast to centralized procurement, local procurement takes place through healthcare departments (HCDs) or healthcare facilities (HCFs) at local budget cost, plus some subventions from the state budget. This kind of system makes it possible to take specific local needs for medicines and medical supplies into account. However, it doesn't always allow for experts with the necessary background to become involved in the procurement process, while smaller volumes offer fewer economies of scale.

HCDs and HCFs primarily purchase medications that are on the *National List of Essential Medicines* or Natsperelik, the official list of basic drugs that the state guarantees for free to in-patients. This list includes medicine for infectious, cardio-vascular, gastro-intestinal, respiratory, and skin diseases, cancers, and medications that are needed to treat traumas. The purpose of Natsperelik is to ensure that in-patients receive the necessary basic drugs.

Natsperelik is put together by an expert committee for the selection and application of essential medicines, which is an advisory body under the Ministry of Health. The main criteria for selection are the proven effectiveness, safety and economic sense of the medicines. This expert committee is guided by WHO's *Model Essential Medicines List*.

The list of medicines that are included in Natsperelik based on active ingredients or INNs can be added to: the expert committee submits a revised list every July 1 for approval by MOH. As of October 2018, the list contained 427 INNs.

⁸ Ibid., FAQs on international procurement

⁹ The list of all ISOs that are eligible to make such procurement is in Point 24, Para. 1, Art. 1 of Law №922-VIII "On Public Procurement" dated December 25, 2015.

¹⁰ Suprun: Procurement of medications from ISOs is a temporary feature, Medprosvita, September 8, 2017. bit.ly/2y5rdJk (access: October 2018).

¹¹ Cabinet Instruction №582-p "On approving a Concept for reforming the mechanisms for the public procurement of medical preparations and supplies" dated August 23, 2017. bit.ly/2zW7qNT (access: October 2018).

¹² New Concept for reforming the procurement of medical preparations and supplies, Pravoviy Alians Legal Entity, October 3, 2018. bit.ly/2y8wmAp (access: October 2018)

¹³ Government approves Concept for Reforming Procurement of Medications and Medical Supplies, MOH website, September 26, 2018. bit.ly/2OJB4OG (access: October 2018)

Importantly, physicians are able to procure medicines that are not on Natsperelik but are included in the standards for healthcare. However, such procurement can only be made if the need for essential medicines on the National List has been covered 100%.

До Нацпереліку включені ліки, які відповідають трьом критеріям: ефективні, безпечні та економічно доцільні



Prior to procuring medicines, HCDs and HCFs need to know what their budget limits are. Based on this information, the institution's working group calculates the cost of the drugs it will need for its own use. Once the amount that will be spent on various medicines is determined and provides the basis for determining its annual purchasing plan, the institution can announce that it will be procuring through the ProZorro public procurement system. Actually, procurement can begin even before the ceiling on the institution's funding is determined. Procurement by HCDs and HCFs is funded from both the state budget, in the form of medical and targeted subventions, and local budgets. Funds for medical subventions are allocated not just for the purchase of medications, but also to pay doctors' salaries, utility services, purchases of furniture and equipment, and so on.

In those cases where HCDs and HCFs find themselves with a funding shortfall, they can turn to their main dispenser of budget funds, such as the oblast or county council, and explain the need for additional funds to be allocated.

In addition to this, HCD and HCF procurement can be funded through local programs that are approved by local government agencies to resolve local healthcare issues. Examples of this are the *Local Targeted Program to Combat the HIV Epidemic for 2017-2021*¹⁴ funded by the City of Kyiv, and the *Comprehensive Program to Provide Medical Assistance to Residents of Lviv Oblast for 2017-2020*¹⁵ funded by the Lviv Oblast administration.

REIMBURSEMENTS THROUGH THE AFFORDABLE MEDICINES PROGRAM



The Affordable Medicines program came into effect in April 2017 to stipulate the mechanism for government agencies to reimburse, in part or in whole, the cost of medications provided to patients.¹⁶

¹⁴ Kyiv City Council Decision №538/1542 «On approving the Municipal Targeted Program to Counter the HIV Epidemic for 2017-2021» dated December 8, 2016. bit.ly/2RybN8D (access: October 2018)

¹⁵ Report on the Execution of the Oblast Budget Targeted Program for HI 2018. bit.ly/2QBtxPm (access: October 2018)

¹⁶ Reimbursements are funded under CCEC 2311460, «Subventions from the state budget for medications to treat certain diseases». In 2017, UAH 700mn was allocated for this subvention. In 2018, it was increased to UAH 1.0bn.

Unlike medications purchased by HCDs or HCFs, which are provided to in-patients by their hospitals, drugs that fall under the reimbursement programs are for out-patient treatment¹⁷ and are provided through pharmacies.

As of October 2018, this program provided medicines to patients suffering from three types of conditions:



cardio-vascular diseases



type 2 diabetes



bronchial asthma

These three groups were specifically chosen for the Affordable Medicines program because they represent the highest causes of mortality in Ukraine, they have a serious impact on the quality of life of the patient, and they can be treated on an out-patient basis. For instance, cardio-vascular pathologies account for 66.3% of all deaths in the general population.¹⁸

The INN list that is under the Affordable Medicines program is approved by Cabinet resolution.¹⁹ A complete list of the commercial names of medications that can be provided to patients is approved by MOH decree²⁰ in the form of a Register of Medicines Eligible for Reimbursement.²¹ Drugs listed in the Affordable Medicines program are issued to patients at pharmacies that have signed the necessary contract with the local government.

Pharmacies may only provide medicines under prescription from a primary care physician.²² The doctor's prescription should include the necessary INN, not the commercial name of the medication and the doctor must write up a separate prescription for every INN being prescribed. In this way, patients can decide for themselves which drug they prefer, based on brand or country. Of course, the reimbursement program will only reimburse the cost of those drugs that are in the National List of Essential Medicines.²³

¹⁷ Out-patient treatment means treatment that does not require the patient to remain in a hospital overnight.

¹⁸ MOH names the main cause of death in Ukraine, UNIAN, September 29, 2017. bit.ly/2QxyzMu (access: October 2018)

¹⁹ Cabinet Resolution №863 «On introducing compensation for the cost of medicines» dated November 9, 2016. bit.ly/2Qxj3Ak (access: October 2018)

²⁰ MOH Decree №1446 «On amending the Register of Medicines Eligible for Reimbursement as of July 23, 2018," dated August 3, 2018. bit.ly/2BYC2Qp (access: October 2018)

²¹ Register of Medicines Eligible for Reimbursement as of July 23, 2018. bit.ly/2C1hczN (access: October 2018)

²² Family doctors, internists and pediatricians.

²³ Cabinet Resolution №1303 «On arranging the free and discounted provision of prescription drugs for out-patient treatment of certain groups of the population and specific categories of diseases» dated August 17, 1998. bit.ly/2OK2YtV (access: October 2018)

Payment for medicines can take place in two ways: either the patient receives them completely free of charge, or the patient is expected to pay for some of the cost. Only the least expensive medications are available for free, whereas for others, patients pay the difference.

For instance: the patient has a prescription for active ingredient A. The pharmacy can offer this INN from four different pharmaceutical firms. The patient can choose which of the four to buy. However, if Brand C is the least expensive, that's the only drug the patient can get for free. For the other three, the patient will have to pay the difference over and above the basic price of Brand C, as the least expensive drug in the group.



As of October 2018, the Affordable Medicines program included 23 INNs²⁴ and 261 drugs, 59 of which are provided completely free of charge. When the program was first launched in April 2017, there were considerably fewer: the Register of medicines eligible for reimbursement²⁵ included 157 drugs, of which only 23 were provided completely free of charge.²⁶

As of 2018, reimbursements are funded under CCEC 2311460, «Subventions from the state budget to local budgets to compensate the cost of medicines to treat certain diseases.» However, in 2020, the reimbursement of drugs will become a part of the Medical Insurance Program under the state budget and will be provided on the basis of contracts between pharmacies and the National Health Service of Ukraine.

«CHARITABLE DONATIONS» AND LISTS OF MEDICINES

Three approaches to providing patients with drugs indicate how the system is supposed to work. In practice, however, things sometimes turn out differently. Lack of funding, lack of qualified professional personnel, resistance to change, corruption, and other factors lead to a situation where the burden of paying for the medicines supposedly guaranteed by the state is shifted to the patient.

²⁴ The complete list of INNs is in Cabinet Resolution №863 «On instituting the reimbursement of medicines» dated November 9 2016. bit.ly/2Qxi3Ak (access: October 2018)

²⁵ Register of Medicines Eligible for Reimbursement.

²⁶ Affordable Medicines Program, MOH website. bit.ly/2PjUYN8 (access: October 2018)

Patients at HCFs are sometimes given a list of drugs that they need to purchase in order to continue treatment. In other cases, they are presented with an invoice that requires them to make a “charitable donation” after which the physician gives them the necessary medicines and medical services.



For example, in August 2018, a patient came to one of the hospitals in Kyiv Oblast with a fractured and dislocated left forearm. She was asked to pay for the x-ray, which turned out to be a charitable donation. For the medications that the doctor brought to her in the ward, she was asked to pay cash on the spot and later she was given a receipt. About 15 minutes before surgery, the anesthesiologist gave the patient a list of medications that she also had to buy at the pharmacy on the ground floor of the hospital. The situation was the same with the decision of what room the patient would recover in. She was offered the choice of a 5-person ward or a private room for an extra fee. After paying for this, it turned out also to be a «charitable donation.»

It can also happen that the doctor considers some of the medicines in the National List ineffective and prescribes other, more expensive ones that the patient has to pay for.

THE NATIONAL HEALTH SERVICE, MEDICAL INSURANCE, AND AUTONOMOUS HOSPITALS

Three additional important changes have taken place in the procurement of medicines and medical supplies: the National Health Service of Ukraine (NHS) has been set up, state financial guarantees cover medical services for the public, and HCFs are becoming autonomous.



The big step here was setting up the National Health Service, the agency responsible for carrying out the government's healthcare policies. Its main functions include:



signing contracts with healthcare facilities (HCFs) to provide medical services to the public;



paying for government guaranteed medical services provided to patients at healthcare facilities with public funds;



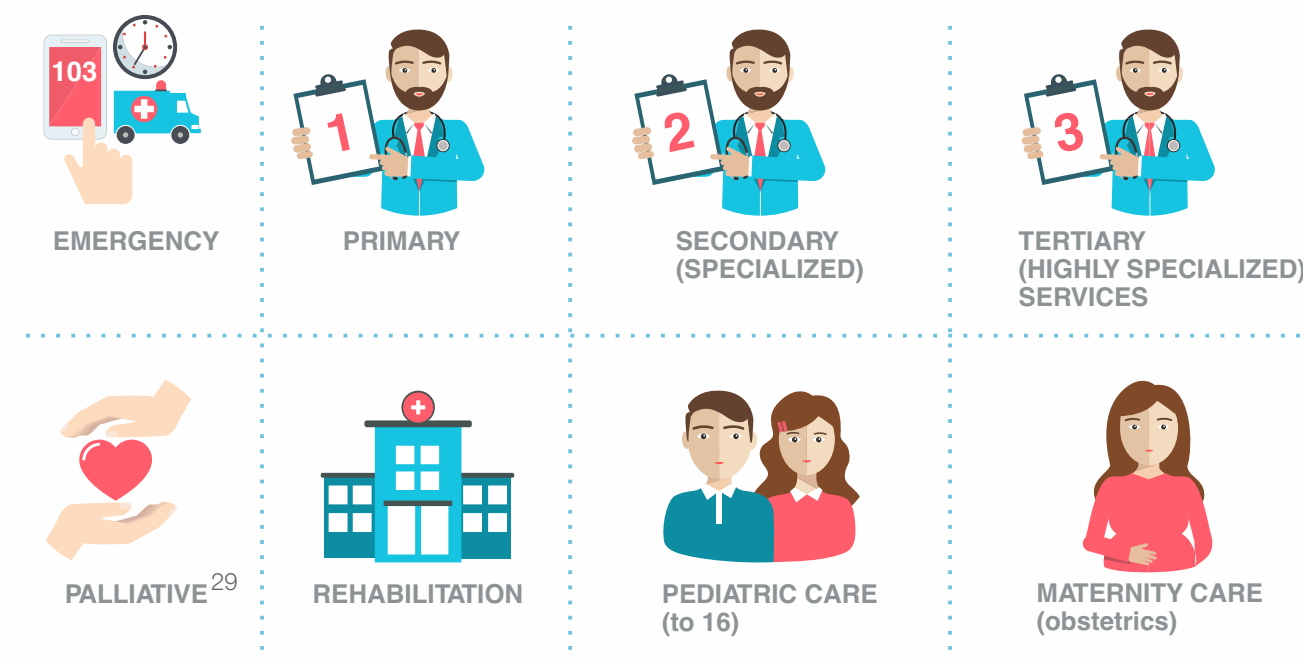
controlling the quality of medical services, compliance with service contracts, and so on.

Every year, the NHS also submits proposals regarding medical insurance programs and²⁷ changes to the structure and level of pay rates for medical services. The *medical insurance* 27 program was introduced in 2017 and contains the list and range of medicines, medical supplies and services that are covered for both in-patient and ambulatory care.

Every year, the Government is also supposed to prepare a list of medical guarantees that is then approved by the Verkhovna Rada. These medicines and services are funded through a protected article in the state budget, that is, funds strictly allocated to cover the medical insurance program. The amount of funding allocated for this program cannot be less than 5% of GDP, similar to funding for security and defense.

Contracts for public services under the medical insurance program are signed between NHS and hospitals, be they community-owned, private or run by an FOP,²⁸ provided that they possess the necessary licenses.

Under this program, the government guarantees patients that it will completely cover medicines, supplies and medical services connected to certain basic **medical services**:



As of October 2018, the Government has approved the list of medical services that are guaranteed by the state for primary medical care.³⁰ The list of other medical services that are guaranteed will be confirmed this year.



This includes general blood and urinary tests, glucose tests, rapid diagnostic tests for HIV and viral hepatitis, electrocardiograms, and other services that are expected to be free as part of primary care.

The medical insurance program establishes a standard way of paying for medicines, medical supplies and medical services across the country. After an HCF provides a patient with a specific range of medical services and medicines, it publishes a correspondent report in the eHealth system and the NHS makes payment on that basis.

Those medicines and services that do not fall under the medical insurance program can be funded through other programs, as well as by local budgets.

²⁷ Provided for in Law №2168-VIII «On state financial guarantees for public health services» dated October 19, 2017.

²⁸ FOP is a physical person who is an entrepreneur.

²⁹ Palliative care is provided to patients who are in the final stages of an incurable disease to ease their physical and emotional suffering.

³⁰ Cabinet Resolution №407 "On approving the Procedure for providing government guarantees for public healthcare services under the medical insurance program for 2018" dated April 25, 2018. <http://bit.ly/2Nt9ssD> (access: October 2018)

One more change that will affect procurement, one way or another, is the process of making HCFs autonomous. Current legislation allows local government agencies to turn HCFs, which were considered budget institutions, into community-owned non-commercial³¹ enterprises.

In practice, this means that:

- ✓ administrators will have more freedom to allocate funds and to establish personnel policies at the institution;³²
- ✓ funding for HCFs will be based, not on cost estimates, but on the facility's own financial plan, providing the institution with greater flexibility;
- ✓ HCFs will have the right to form associations with other HCFs to redistribute tasks and streamline resource use;
- ✓ HCFs will have the right to hire physicians who have FOP status and so on.

Healthcare facilities that become a non-commercial, community-owned enterprise will sign contracts with NHS³³ and begin to be paid directly for services rendered to patients. The more medical services an HCF provides, the more it will be paid by NHS. In this way, the policy of money following the patient will go into action, which means medical institutions will be paid not on the basis of the number of beds they have, but on the basis of the number of actual patients that come to the facility for treatment.

³¹ Non-commercial status does not mean that an HCF that is an enterprise cannot make a profit. The point of this status is that any and all profits must be used exclusively to pay for the facility's statutory activities and may not be used for private purposes.

³² In other words, the facilities are regulated by the Commercial Code, rather than the Budget Code.

³³ Not all community, non-commercial enterprises will necessarily receive funding only from NHS. For instance, autonomous secondary care facilities that have not yet signed a contract with NHS but are getting medical subventions.

As of October 2018, this payment model works only for primary care facilities (PCFs), for which the state budget allocated over UAH 8bn in funding for 2018, to be disbursed through NHS. Those PCFs that have not yet signed a contract with NHS are being funded via medical subventions for now. So far, 538 PCFs³⁴ have switched to the new funding system by signing contracts with NHS and nearly 20 million Ukrainians³⁵ have signed up with a physician.

At this time, preparations are being made for other healthcare facilities to move to the new model of funding. Starting in 2020, secondary, in-patient and tertiary medical facilities will also be funded through NHS.



³⁴ Notice on NH's Facebook page, October 1, 2018. bit.ly/2RA9VMX (access: October 2018)

³⁵ eHealth site, the National Electronic Healthcare System at bit.ly/2yvKisy (access: October 2018).

ANALYSIS OF PROCUREMENT BY HCDs AND HCFs³⁶

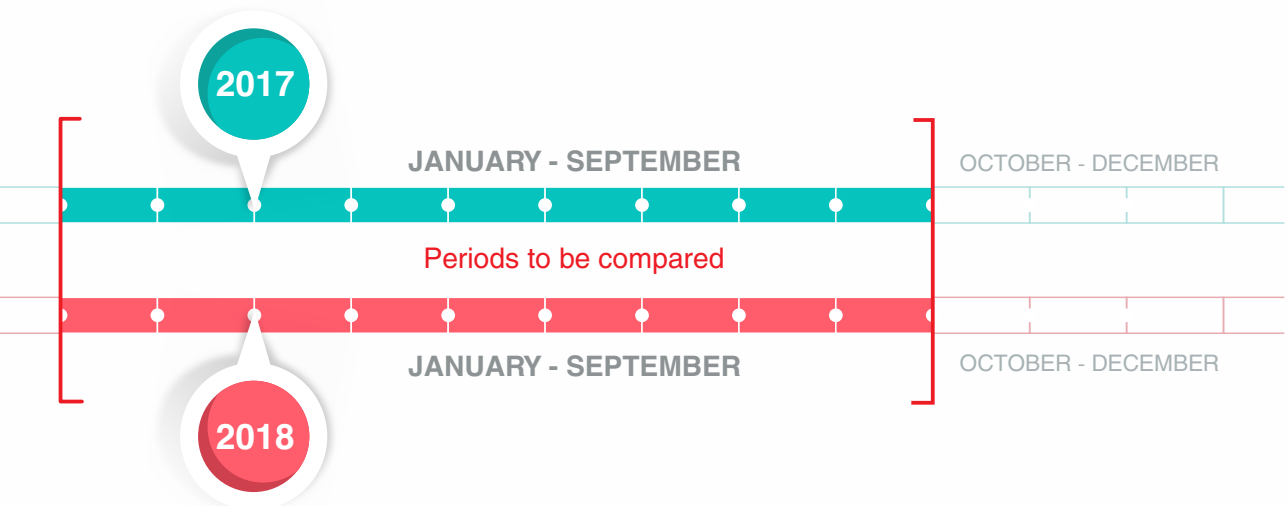
Medicines get to patients in one of three main ways: through procurement by ISOs and the reimbursement mechanism, which take place outside the ProZorro public electronic procurement system, and through procurement by HCDs and by HCFs. Since the latter two procure medicines, medical supplies, and other goods and services through the ProZorro system, the relevant data can be analyzed using the ProZorro analytics module (BI).³⁷ This tool makes it possible to track data about total sums being spent, main suppliers of medicines, the breakdown of HCF spending, economies, competitiveness, and more.

This kind of analysis is useful for hospitals, ISOs, suppliers, and patients, as it allows them to find out which medicines are being purchased by the HCF, at what price, from which suppliers, what the average savings are and how they shift, what share of purchases are below the UAH 200,000 threshold for mandatory use of the ProZorro eProcurement system, etc. By analyzing the aggregate data for all hospitals, it's also possible to draw conclusions about trends on a national scale, or, on the contrary, to focus in on individual cases. This kind of analysis makes it easier to recognize problems that are hinted at in the way that procurement lots are formed, in the introduction of discriminatory conditions, or in the announcement of abnormal volumes of procurement at the end of the year.

The innovative projects team at Transparency International Ukraine has already written a number of reports on procurement in the medical sphere through the prism of ProZorro. The first edition of “Medical Procurement through ProZorro: Observations”³⁸ was written in 2017 in order to demonstrate what kind of data was already available for public use. In this second report, TI Ukraine continues to study data about hospital procurement and intends to show the main trends as of October 1, 2018.

Because there is no exhaustive list of HCFs in Ukraine, the DOZORRO team chose hospitals that are using the ProZorro system for the ProZorro analytics. The selection includes both treatment and preventive care facilities as defined in MOH Decree №385.³⁹ So, this report analyzes procurement by these specific procuring entities and HCDs.

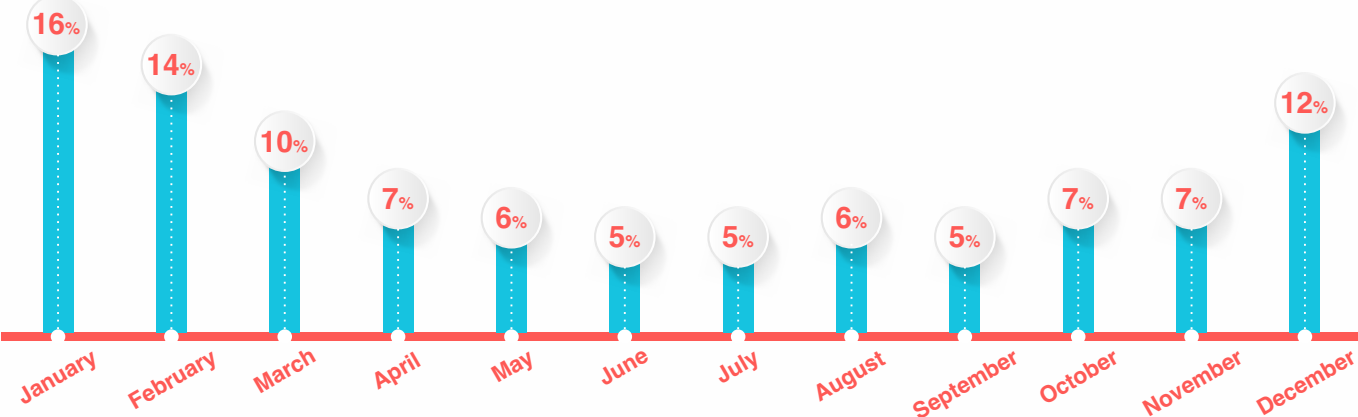
In order for the data collected to be more indicative, two periods were analyzed: 2017 and 2018. Because this report was drafted in October 2018, the same time-frames were applied, as well: the first three quarters of both years. This approach made it possible to identify trends in public procurement by HCDs and HCFs.



For convenience, some data has been rounded off to whole numbers and other data to the nearest tenth.

The selection for January-September 2017 included 2,568 HCD and HCF procuring entities, which constituted 97.6% of all such procurement for 2017. The remaining 2.4% of entities were left out of the analysis, as they made procurement only in the last three months of the year.

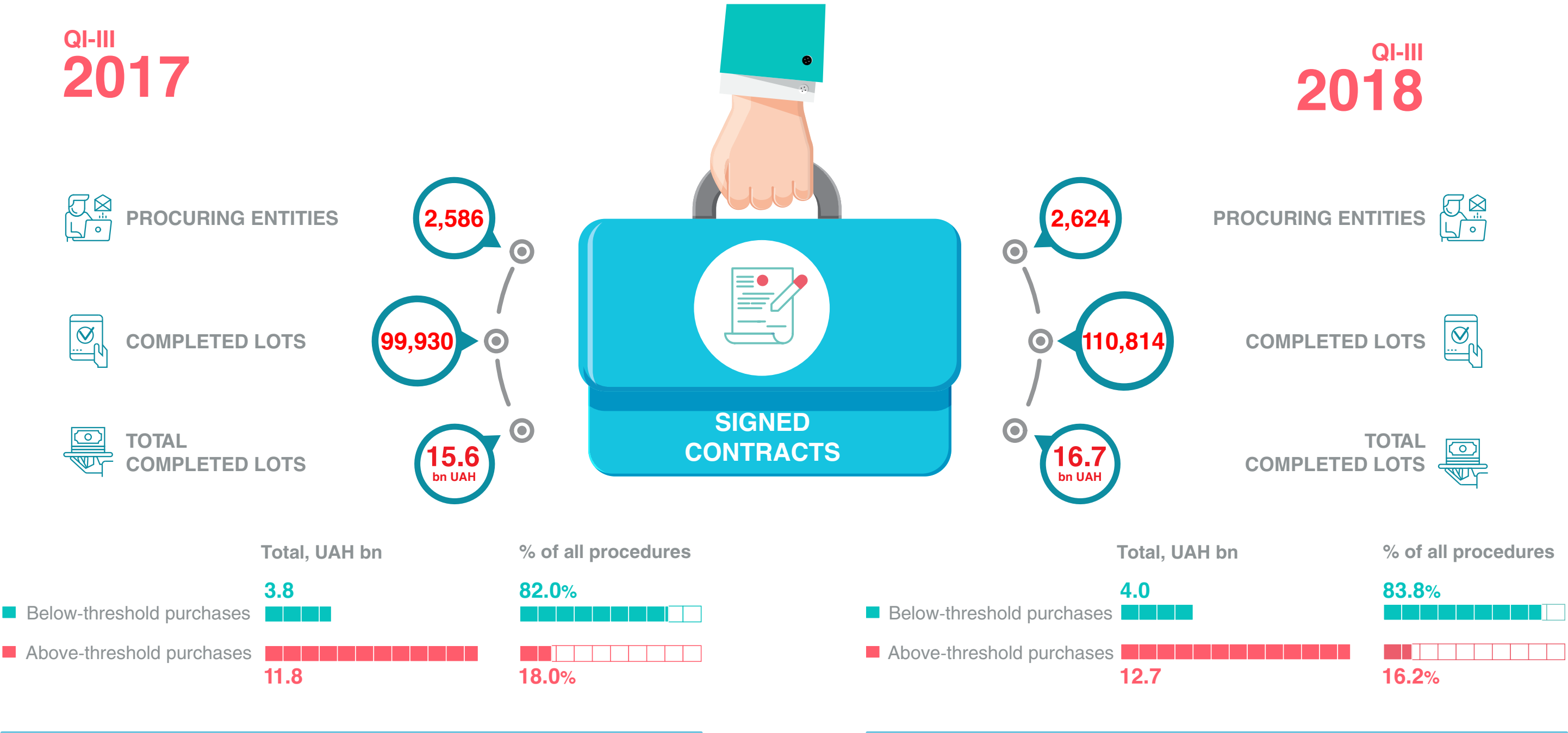
The total value of completed lots over January-September 2017 was UAH 15.6bn or 73.9% of the annual volume.⁴⁰ This means that nearly a quarter of all purchases, in financial terms, were made in the final quarter of the year. Overall, the dynamic of contracts being signed in financial terms looked like this:



⁴⁰ For all of 2017, HCDs and HCFs signed contracts worth UAH 21,073,488,264.

³⁶ For convenience, some data in this report has been rounded to the nearest tenth.
³⁷ Public BI analytics module BI. <http://bit.ly/2LQQ8JA> (access: October 2018)
³⁸ «Medical Procurement through ProZorro: Observations» TI Ukraine, TI Ukraine site. bit.ly/2PkkJNE (access: October 2018)
³⁹ MOH Decree №385 “On confirming the list of healthcare facilities and positions for physicians, pharmacists and junior specialists with pharmaceutical training at healthcare facilities,” dated October 28, 2002. bit.ly/2ytanUg (access: October 2018)

GENERAL OVERVIEW OF MEDICAL PROCUREMENT

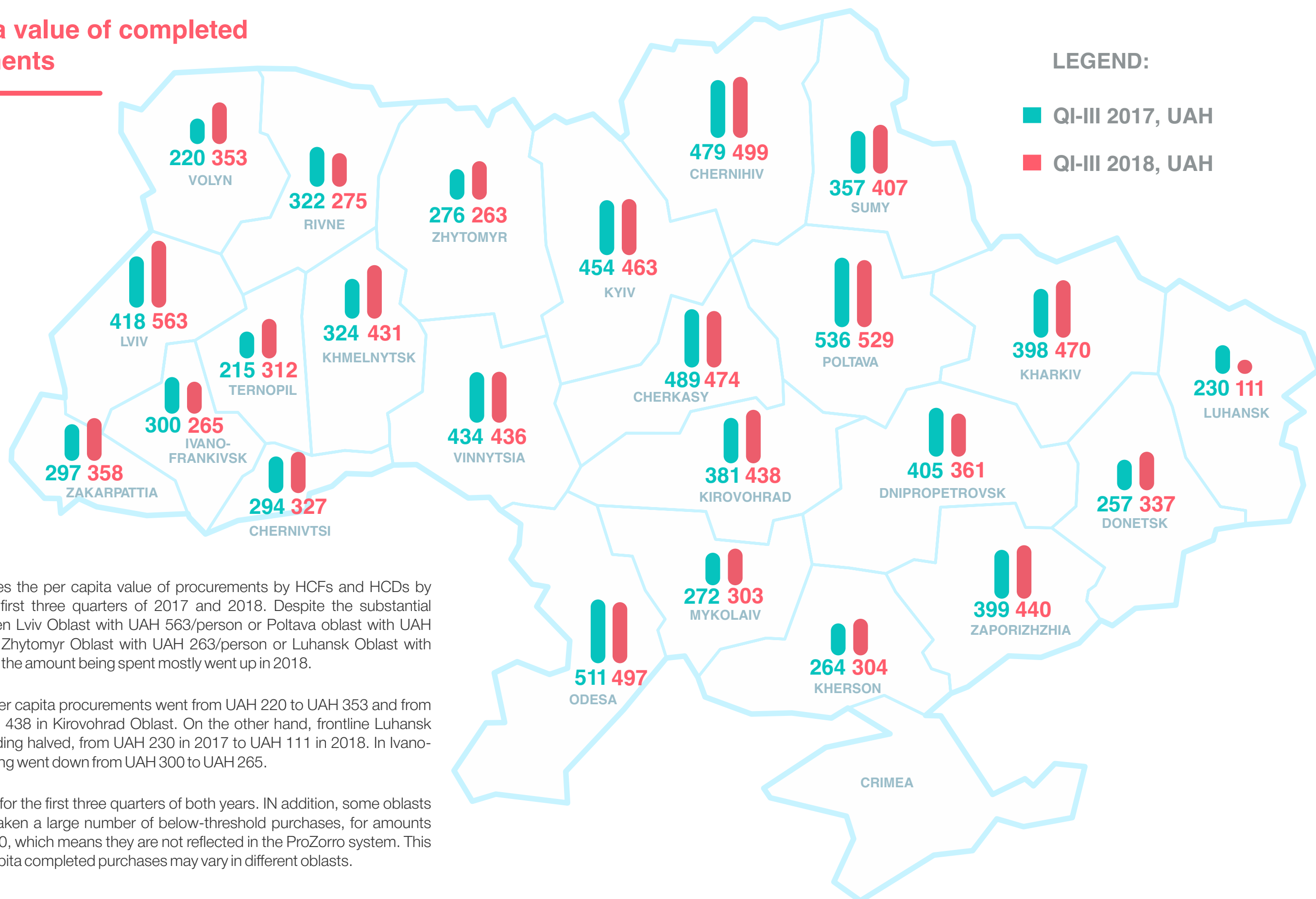


As of October 1, 2018, the number of procuring entities among hospitals grew. However, 135 procuring entities who engaged in procurements in 2017 did not show up in the 2018 lists. This could have been the result of the reorganization or shutting down of a slew of HCFs, or the lack of expenditures in the selected period. At the same time, 189 new HCFs showed up in the 2018 lists. Half of these were community-owned non-commercial enterprises, newly-established HCFs and polyclinics belonging to UTCs

The value of procurements during this period grew by UAH 1 billion, which led to a commensurate increase in the number of lots

Over 80% of all lots in both periods were below-threshold procurements. In monetary terms, however, above-threshold procurements were worth three times more than all below-threshold procurements put together

Per capita value of completed procurements



The map illustrates the per capita value of procurements by HCFs and HCDs by oblast⁴¹ for the first three quarters of 2017 and 2018. Despite the substantial difference between Lviv Oblast with UAH 563/person or Poltava oblast with UAH 529/person, and Zhytomyr Oblast with UAH 263/person or Luhansk Oblast with UAH 111/person, the amount being spent mostly went up in 2018.

In Volyn Oblast, per capita procurements went from UAH 220 to UAH 353 and from UAH 381 to UAH 438 in Kirovohrad Oblast. On the other hand, frontline Luhansk Oblast saw spending halved, from UAH 230 in 2017 to UAH 111 in 2018. In Ivano-Frankivsk, spending went down from UAH 300 to UAH 265.

These figures are for the first three quarters of both years. IN addition, some oblasts may have undertaken a large number of below-threshold purchases, for amounts under UAH 50,000, which means they are not reflected in the ProZorro system. This causes the per capita completed purchases may vary in different oblasts.

⁴¹ Population figures in Ukraine as of January 21, 2018, Derzhstat the state statistics service of Ukraine. bit.ly/2OJTEGo (access: October 2018).

PROCURING ENTITIES

HCF/HCD procurements

QI-III
2017



4.5%

% share of HCF/HCD
procurements, by value

HCF/HCD procurements

QI-III
2018



2.2%

% share of HCF/HCD
procurements, by value

Below-threshold purchases



% share of below-threshold
purchases of all HCF/HCD
purchases:

82.0%

by number
of procedures

24.0%

by value

Below-threshold purchases



% share of below-threshold
purchases of all HCF/HCD
purchases:

83.8%

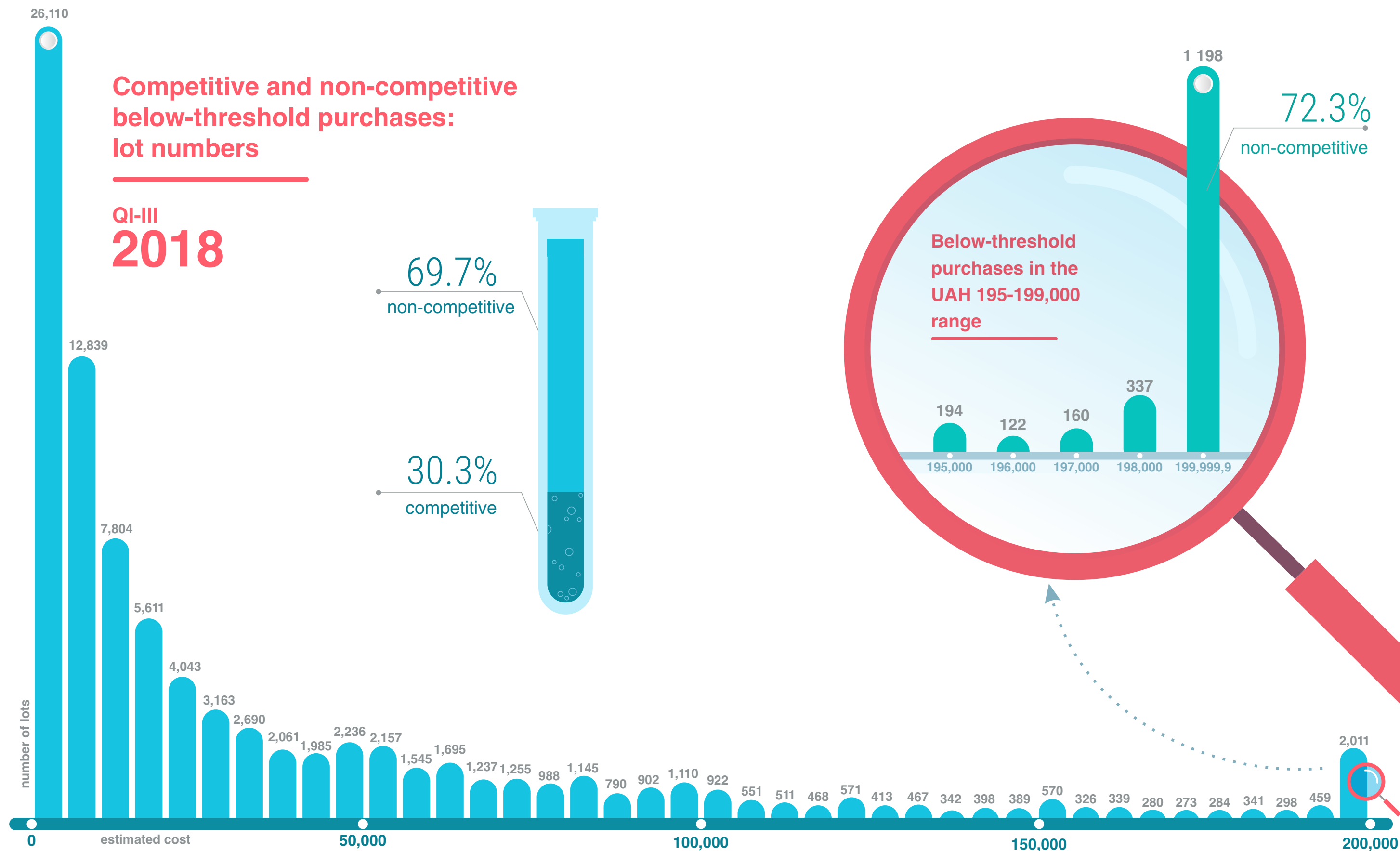
by number
of procedures

23.8%

by value

The monies spent by HCFs and HCDs in 2018 compared to 2017 grew, just as total spending of all public agencies did. However, spending by the latter grew more steeply, leading to a decline in the relative spending of hospitals compared to spending across Ukraine, from 4.5% in 2017 to 2.2% in 2018

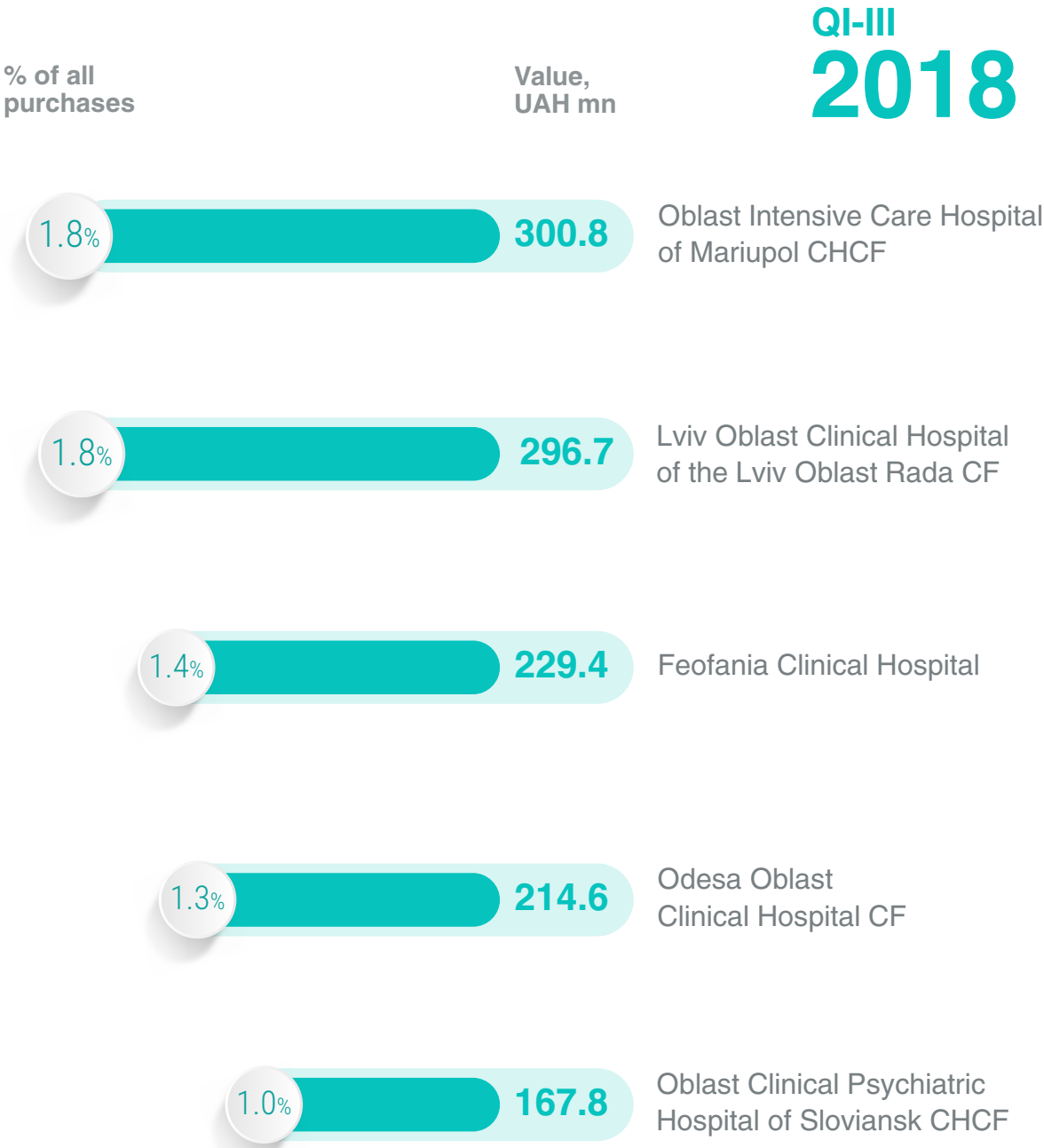
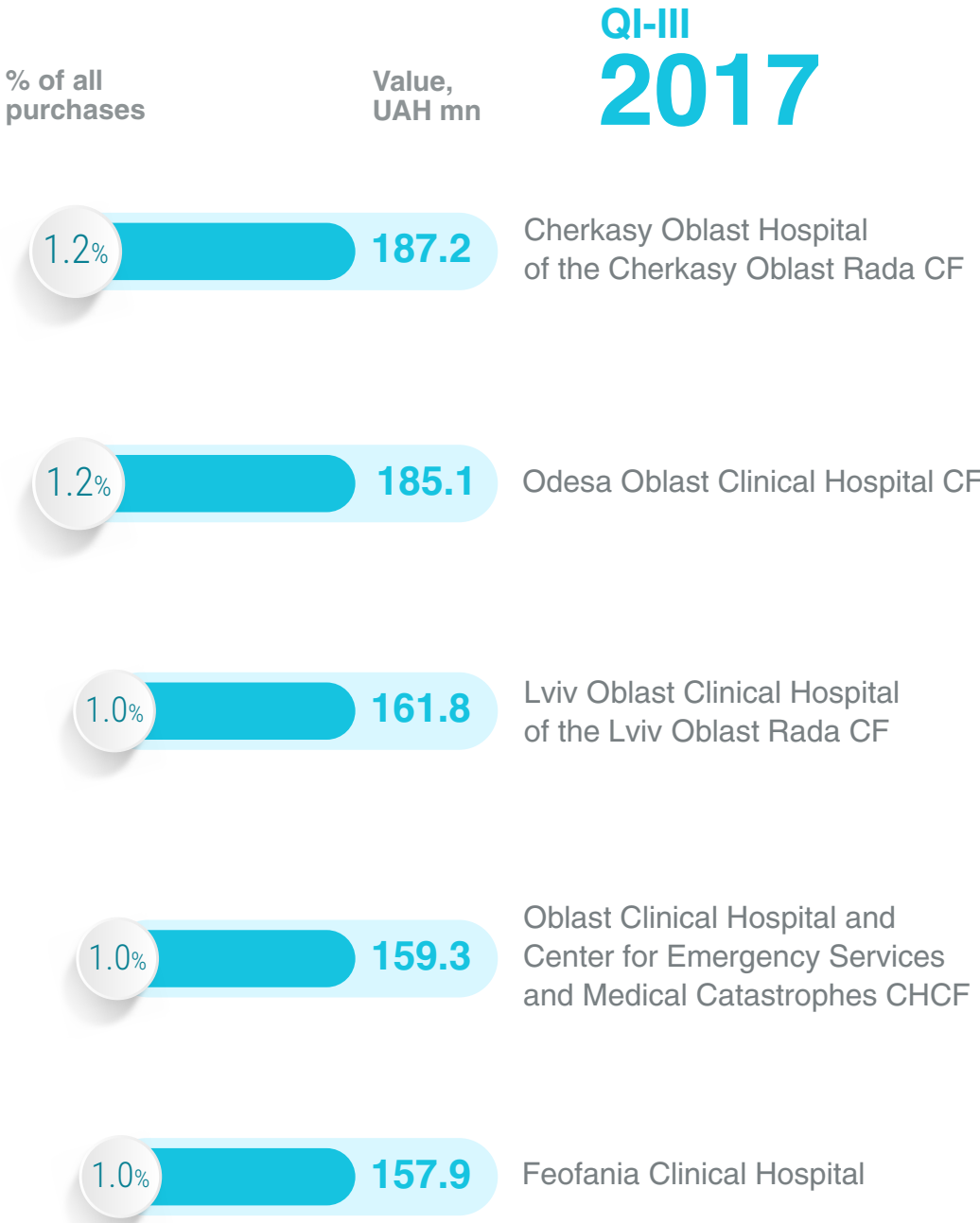
Below-threshold purchases need to be examined separately, as this is that area of public procurement where the actions of procuring entities are less regulated by the law and violations are much more likely. Notably, HCFs and HCDs spend far less on below-threshold purchases—25.6% for all of 2017—compared to the average for all procuring entities across Ukraine—57.0% for all of 2017



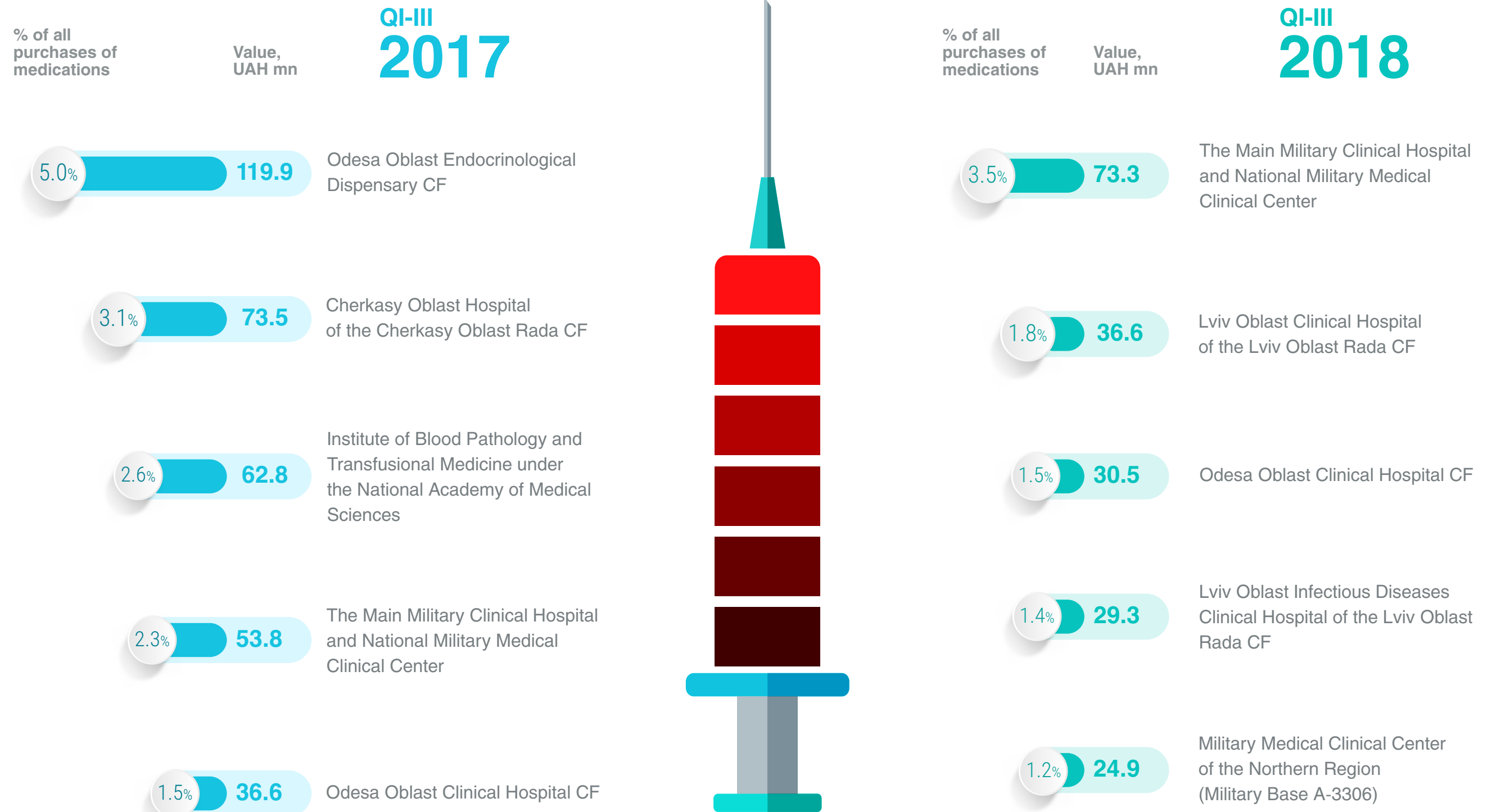
As of October 2018, the procuring entity must make all purchases of goods and services worth UAH 200,000 and higher, and all purchases of works worth UAH 1.5mn or more through the ProZorro system. Some procuring entities deliberately reduce the value of each purchase in order to be able to sign a contract without following competitive procedures and to select their preferred supplier

As the numbers show, this same problem is also typical of HCF and HCD purchases. Such procuring entities made purchases in the UAH 195-199,999 range for an estimated value of UAH 399.3mn, which was 9.5% of the estimated value of all below-threshold purchases

Top 5 buyers among HCFs and HCDs (based on value of signed contracts)



Top 5 buyers of medications among HCFs and HCDs (based on value of signed contracts)



Top 5 buyers of medical equipment among HCFs and HCDs (based on value of signed contracts)

% of all purchases of medical equipment

Value, UAH mn

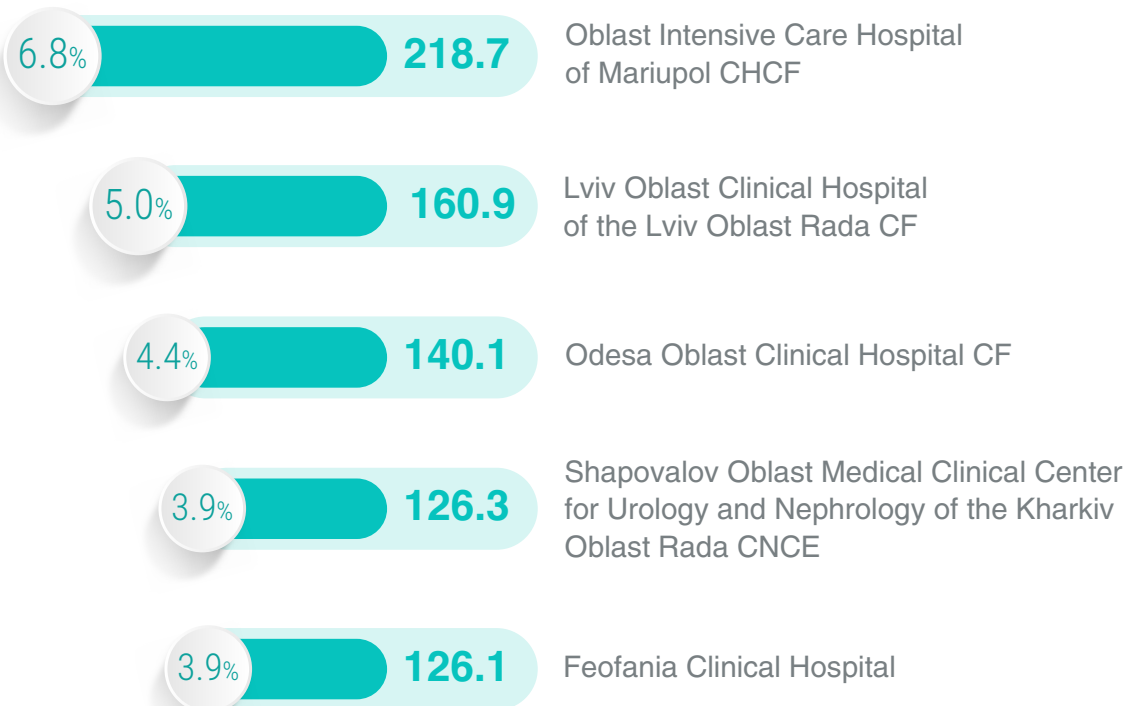
QI-III
2017



% of all purchases of medical equipment

Value, UAH mn

QI-III
2018



Among the Top 5, certain facilities show up regularly: the Cherkasy Oblast Hospital, the Lviv Oblast Clinical Hospital, and the Feofania Clinical Hospital. Overall, hospitals spend similar sums on procurement, and the available data do not allow for a clear spending leader to be identified

The situation changes somewhat when medications are viewed in isolation. In 2017, the five top hospitals bought nearly 2% of all medications, based on the value of the contracts signed. In 2018, the situation changed again: nearly all the leaders in 2017 bought considerably fewer medications and the amounts spent by HCFs became more similar across the board

Once again, the situation changes when it comes to medical equipment. While in 2017, hospitals spent relatively similar amounts, in 2018 the Top 5 accounted for nearly 25% of all medical equipment purchases, based on the value of the contracts signed



SUPPLIERS



QI-III
2017

1.0% of **medication** suppliers or 10 out of 1,046 signed contracts worth **UAH 1 billion**, which was **52.7%** of the value of all contracts signed in this group

0.8% of **medical equipment** suppliers or 19 out of 2,320 signed contracts worth **UAH 1.6 billion**, which was **50.3%** of the value of all contracts signed in this group



QI-III
2018

1.1% of **medication** suppliers or 17 out of 1,485 signed contracts worth **UAH 1 billion**, which was **50.7%** of the value of all contracts signed in this group

0,8% of **medical equipment** suppliers or 20 out of 2,580 signed contracts worth **UAH 1.6 billion**, which was **50.9%** of the value of all contracts signed in this group



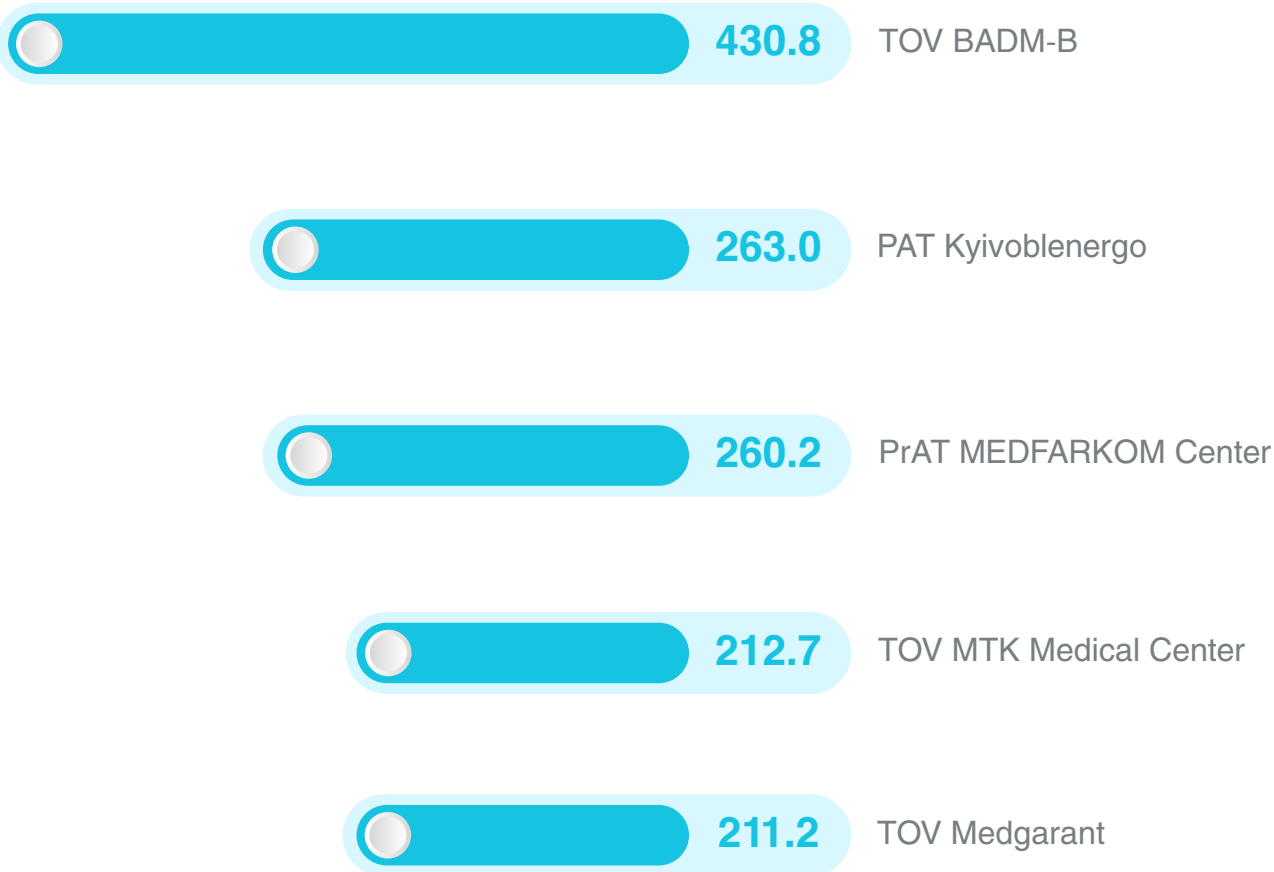
For both medications and medical equipment, around 1% of the suppliers signed half of all contracts with HCFs and HCDs, which indicates that the market is highly monopolized

At the same time, the number of suppliers of medications who signed contracts with hospitals increased by 42%, from 1,046 to 1,485

Top 5 suppliers (based on value of signed contracts)

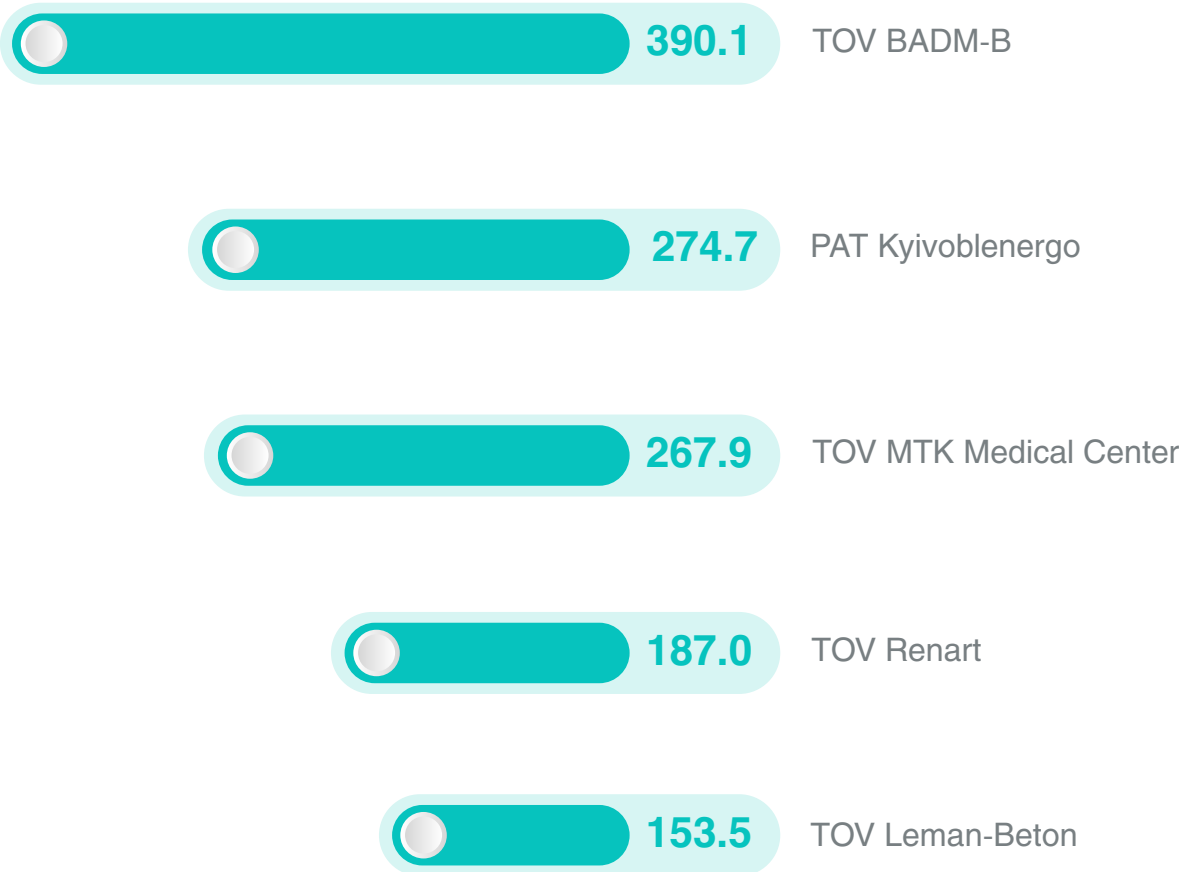
QI-III
2017

Total,
UAH mn

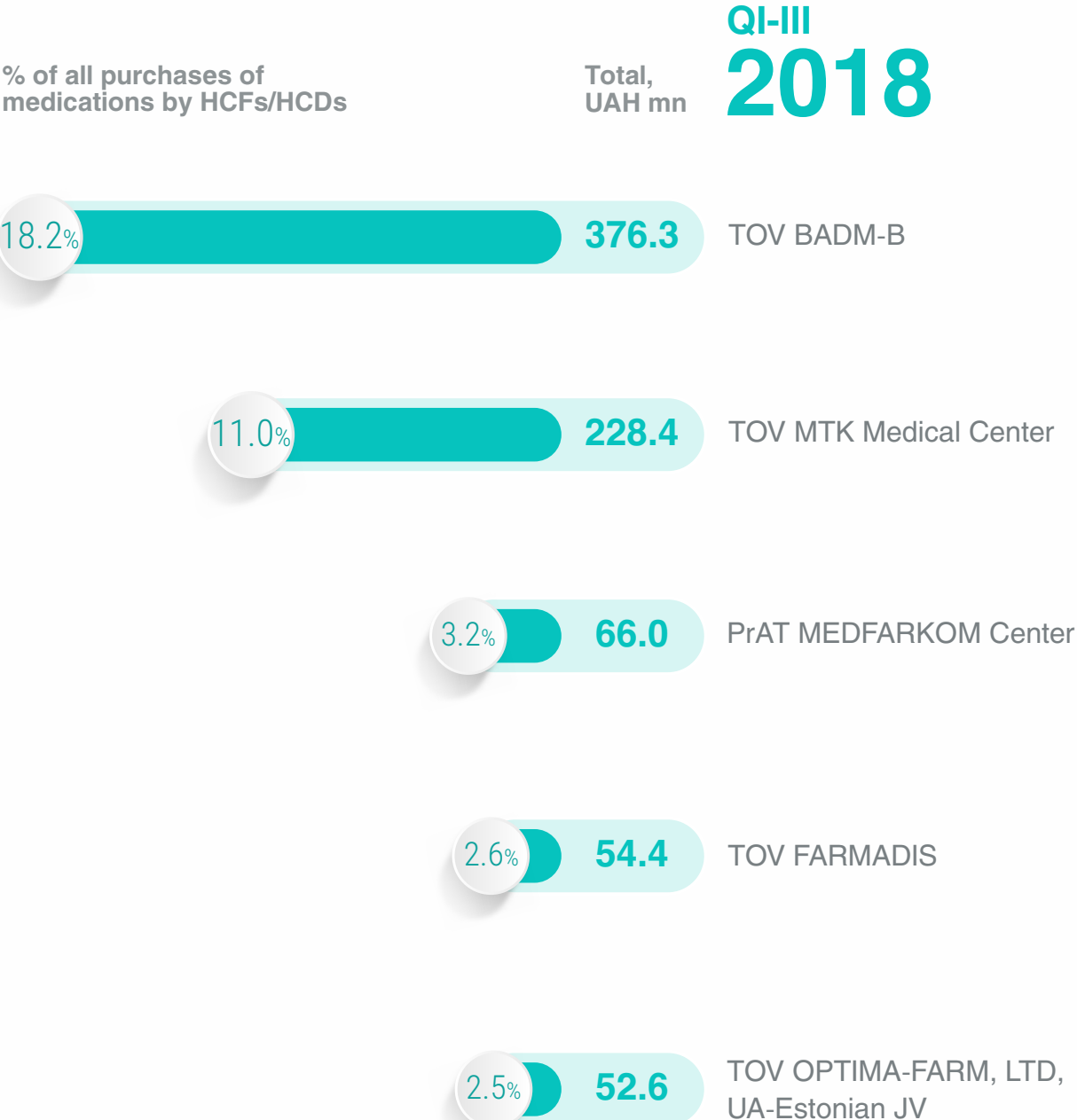
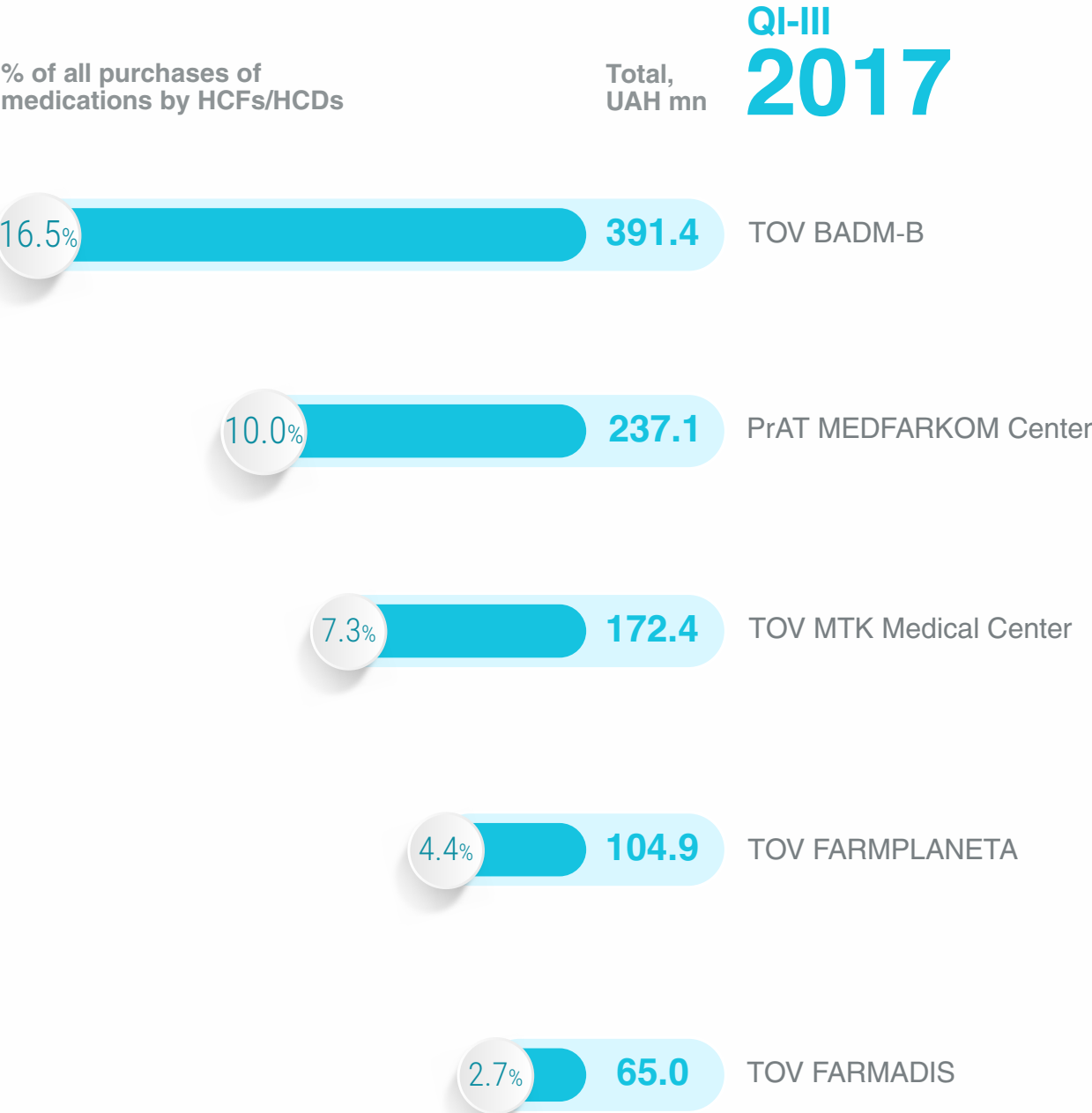


QI-III
2018

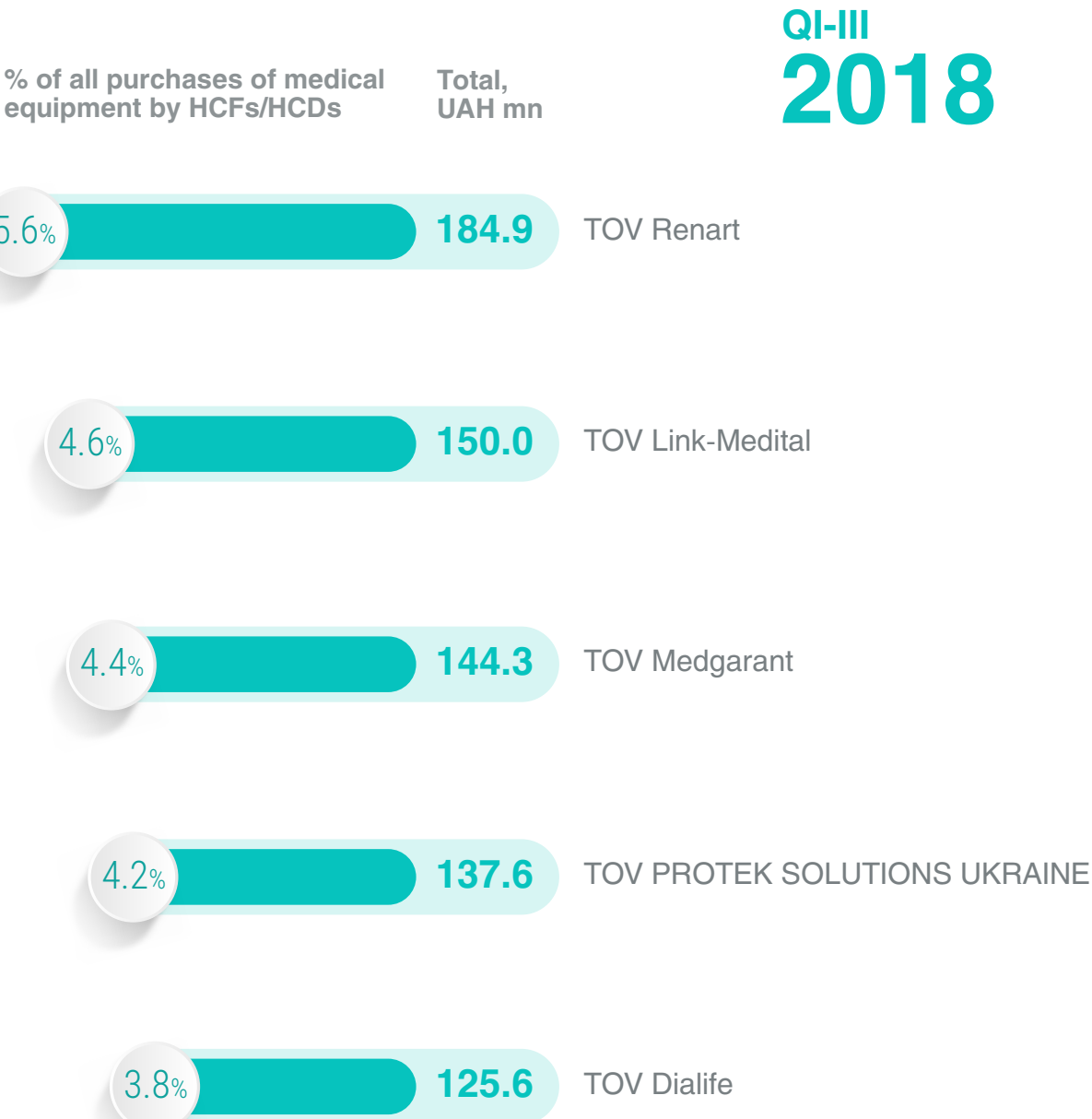
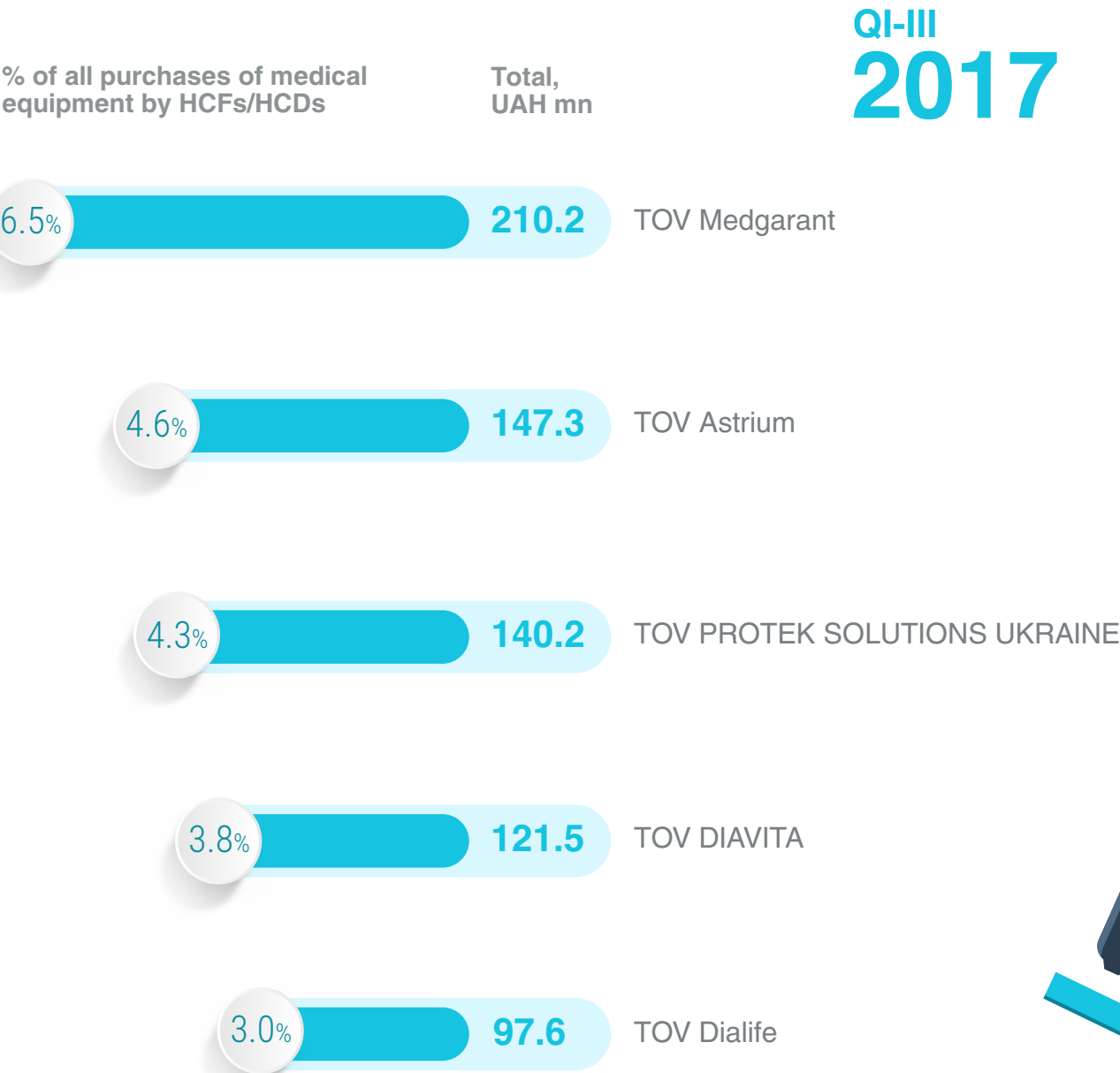
Total,
UAH mn



Top 5 suppliers of medications (based on value of signed contracts)



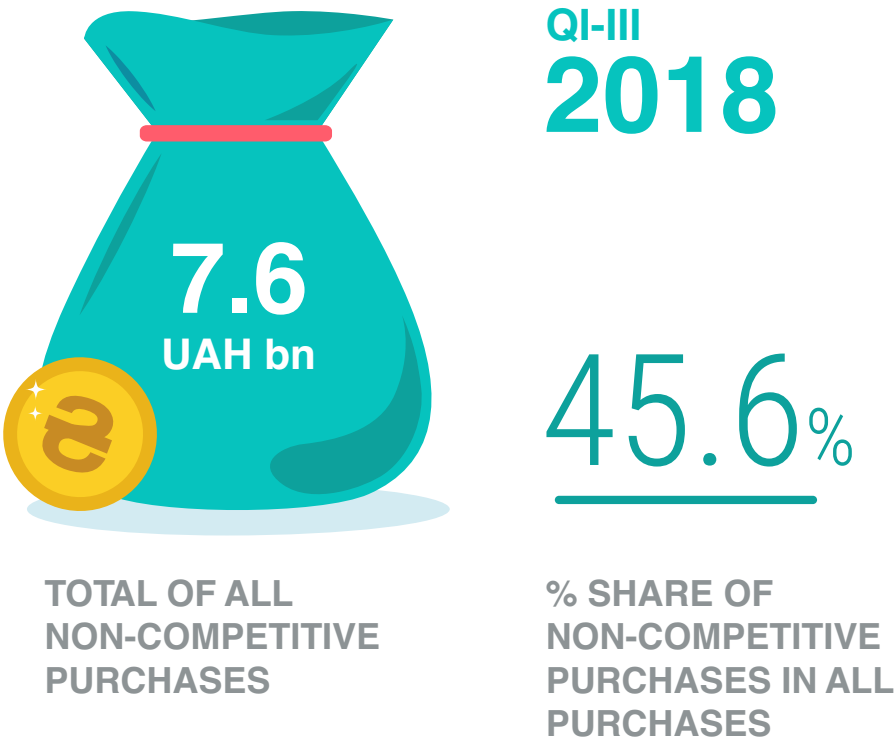
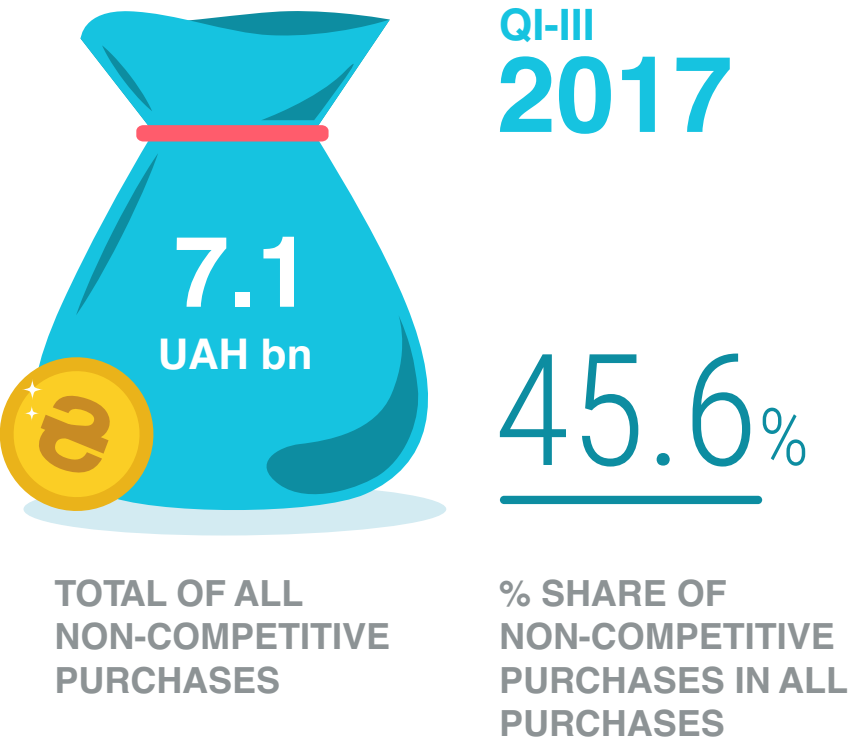
Top 5 suppliers of medical equipment



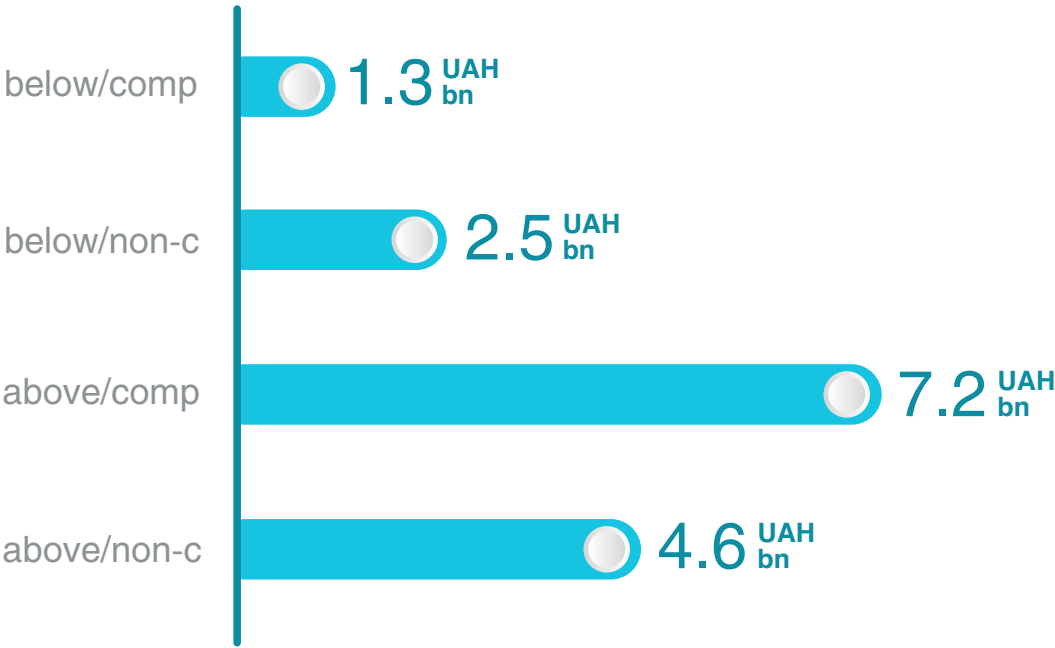
Most of the Top 5 suppliers in 2018 changed little from 2017. A significant share of spending traditionally goes to residential services and utilities, especially Kyivoblenergo, the power company, which signed contracts worth UAH 263mn

Altogether, the Top 5 suppliers of medications signed contracts worth 37.5% of all HCF/HCD spending on medications. For suppliers of medical equipments, this figure was a somewhat lower 22.6%

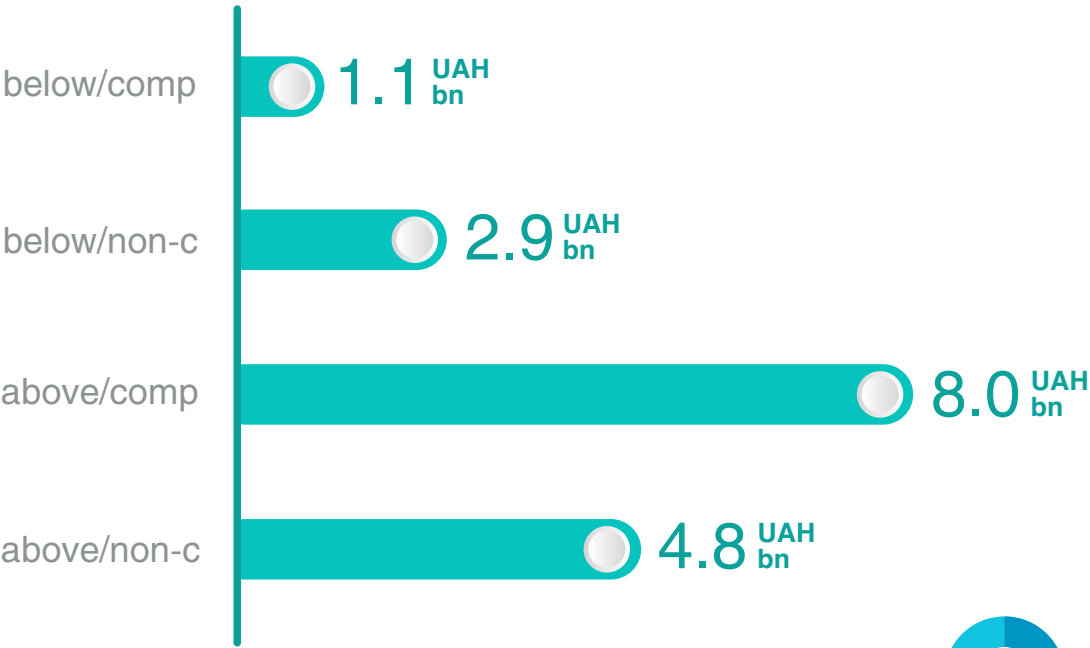
COMPETITION



BELOW-THRESHOLD / ABOVE-THRESHOLD, COMPETITIVE /
NON-COMPETITIVE PURCHASES



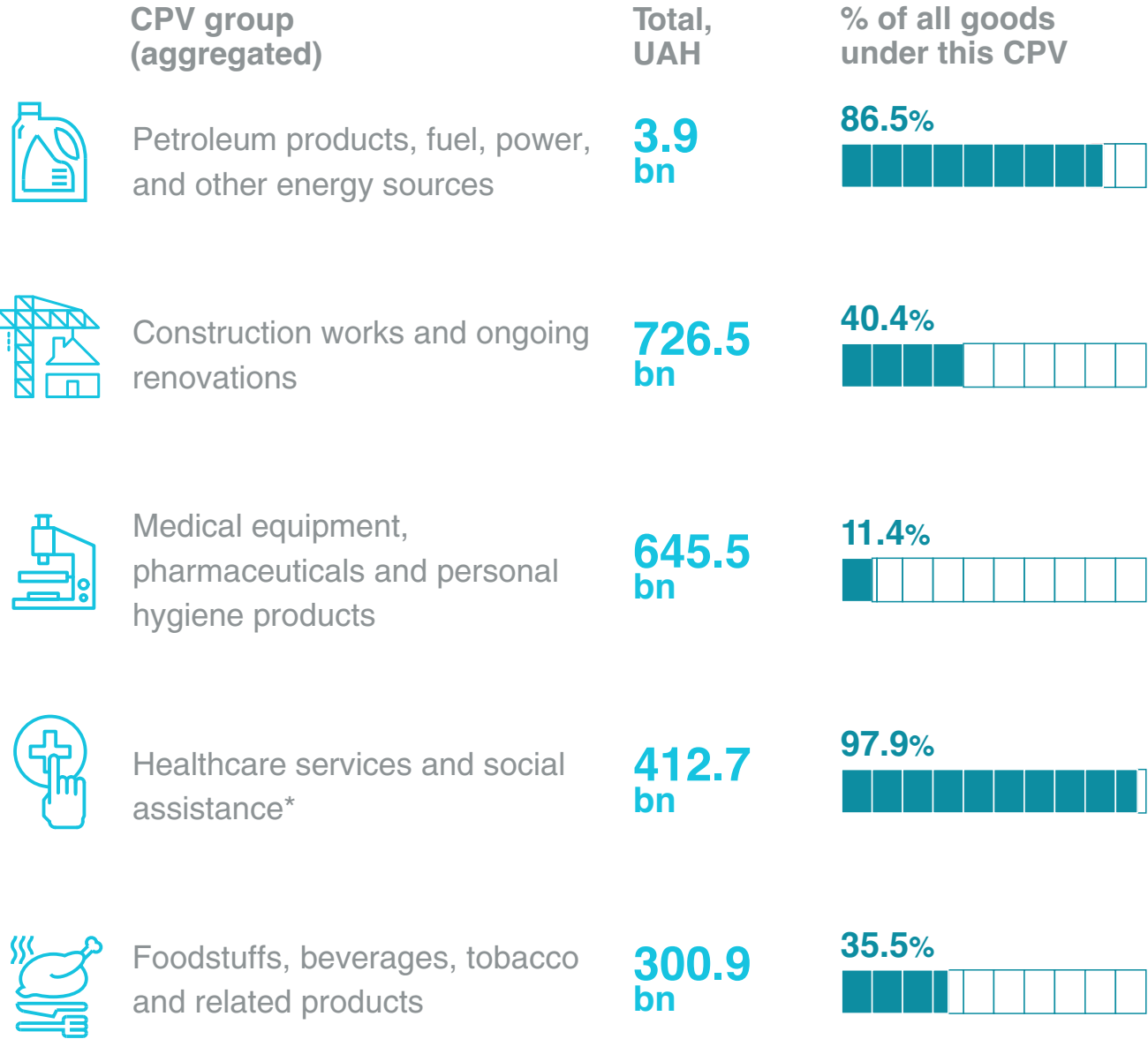
BELOW-THRESHOLD / ABOVE-THRESHOLD, COMPETITIVE /
NON-COMPETITIVE PURCHASES



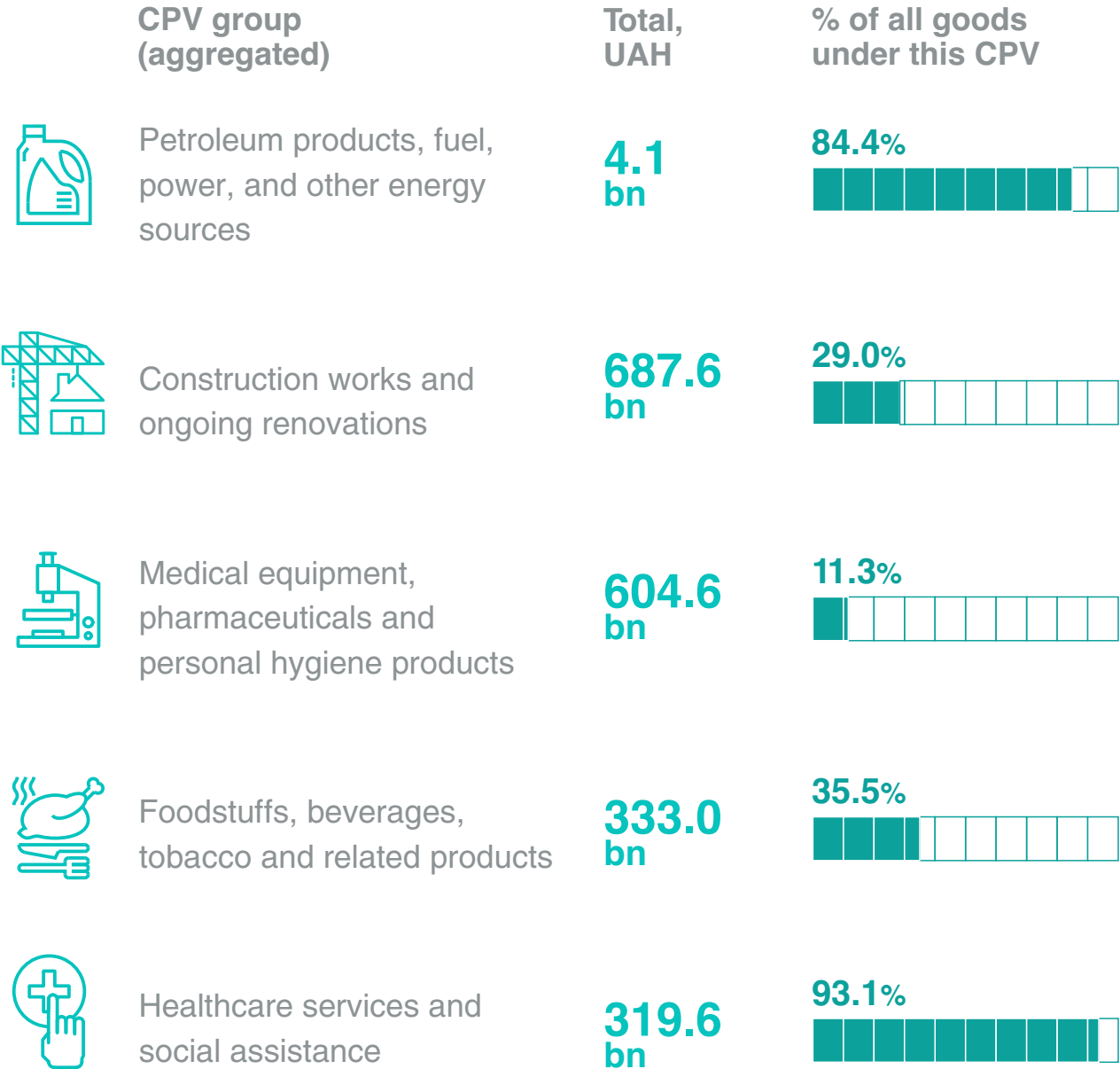
Nearly half of all spending went to non-competitive purchases,
meaning that these tenders brought no savings to HCFs and HCDs

Top 5 groups of goods by value (non-competitive purchases)

QI-III
2017



QI-III
2018



Варто зазначити, що частка неконкурентних закупівель нафтопродуктів та електроенергії, медобладнання та ліків, послуг у сфері охорони здоров'я з 2017 по 2018 рр. майже не змінилася

Водночас відсоток неконкурентних закупівель за CPV «Будівельні роботи та поточний ремонт» знизився з 40% до 29%

*refunds for medications, apothecary services, ambulance services, medications for subsidized groups, lab testing

Top 5 groups of goods by value (share of below-threshold non-competitive purchases of all non-competitive purchases)

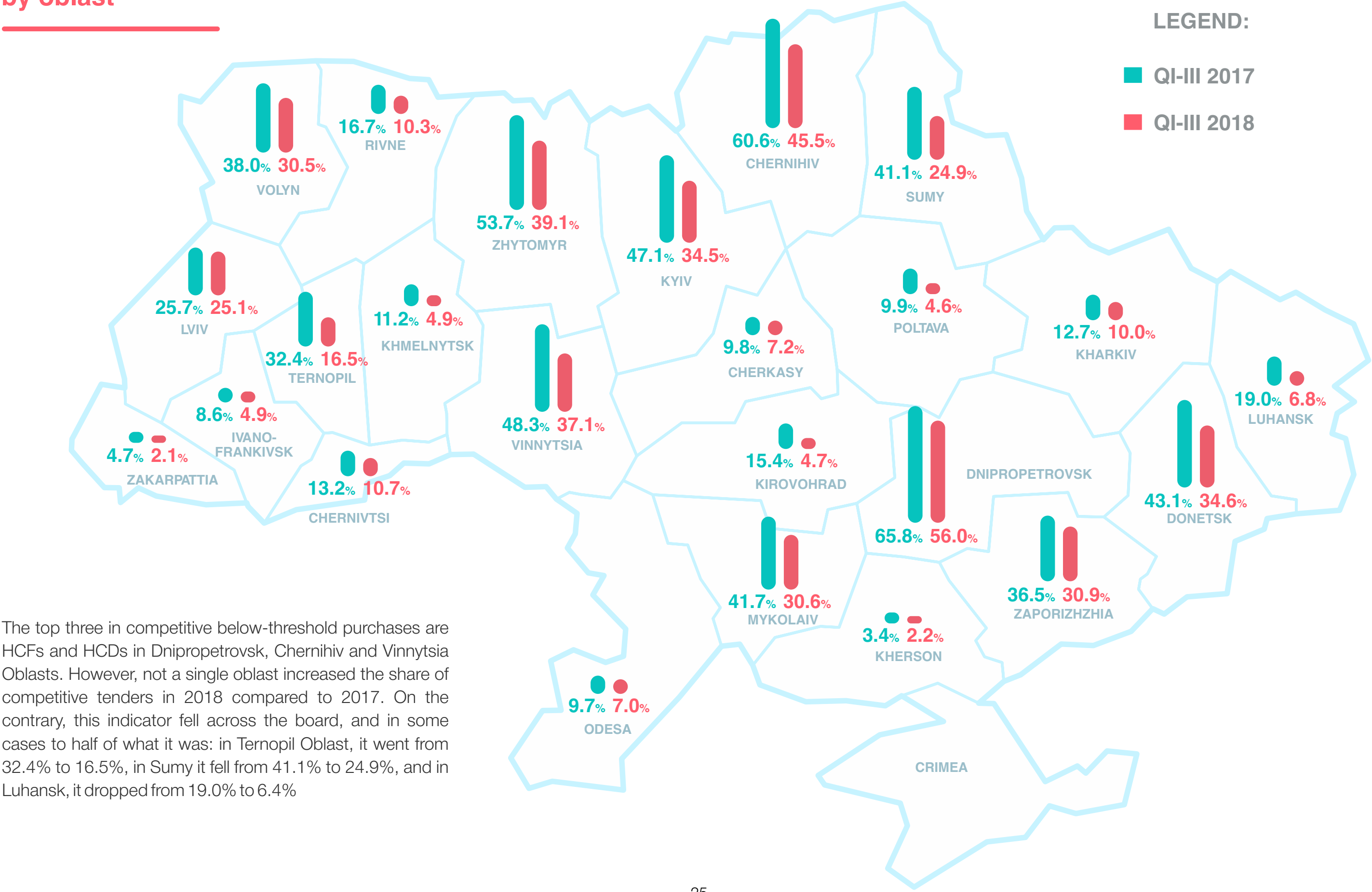
Of all non-competitive spending by HCFs and HCDs, 55% goes to paying for energy, 93% of which goes for steam, hot water and power. In general, the large share of residential and utility services in non-competitive purchases is in line with overall trends in Ukraine and is driven by the fact that there is limited competition among utilities



QI-III
2018

| CPV group (aggregated) | Total, UAH (non-competitive purchases) | Total, UAH (non-competitive above-threshold purchases) | % of all non-competitive above-threshold purchases |
|--|--|---|--|
| Petroleum products, fuel, power, and other energy sources | 4.1 bn | 3.8 bn | 92.7% <div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div> |
| Healthcare services and social assistance | 319.6 mn | 203.7 mn | 63.7% <div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div> |
| Medical equipment, pharmaceuticals and personal hygiene products | 604.6 mn | 194.6 mn | 32.2% <div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div> |
| Foodstuffs, beverages, tobacco and related products | 333.0 mn | 35.5 mn | 10.7% <div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div> |
| Construction works and ongoing renovations | 687.6 mn | 26.2 mn | 3.8% <div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div> |

% competitive below-threshold purchases by oblast



Top 5 buyers who made non-competitive purchases

2017

| Procuring entity | Total, UAH | % of non-competitive purchases out of total spending |
|---|------------|--|
| Third Poltava Municipal Clinical Hospital of the Poltava Oblast Rada | 148.6 mn | 97.7% <div><div></div></div> |
| Odesa Municipal Emergency Services Station | 140.0 mn | 100% <div><div></div></div> |
| Oblast Center for Emergency Services and Medical Catastrophes of the Dnipropetrovsk Oblast Rada | 86.2 mn | 83.0% <div><div></div></div> |
| Dnipropetrovsk Clinical Psychiatric Hospital of the Dnipropetrovsk Oblast Rada CE | 73.2 mn | 75.4% <div><div></div></div> |
| Cherkasy Oblast Hospital of the Cherkasy Oblast Rada CF | 54.1 mn | 29.0% <div><div></div></div> |

During the first three quarters of 2018, the Odesa Oblast Center for Emergency Services and Medical Catastrophes spent by far the most on non-competitive purchases—nearly twice as much as the #2 spender, Feofania. Feofania, in fact, bought only about one third of its purchases on a non-competitive basis, while the Odesa Oblast facility spent 96.8%. The lion's share of these expenditures went to purchase energy, food services, medications,

2018

| Procuring entity | Total, UAH | % of non-competitive purchases out of total spending |
|---|------------|--|
| KOdesa Oblast Center for Emergency Services and Medical Catastrophes | 150.8 mn | 96.8% <div><div></div></div> |
| Feofania Clinical Hospital | 77.5 mn | 33.8% <div><div></div></div> |
| Dnipropetrovsk Clinical Psychiatric Hospital of the Dnipropetrovsk Oblast Rada CE | 46.5 mn | 61.8% <div><div></div></div> |
| Kyiv Municipal Clinical Emergency Hospital | 38.4 mn | 53.5% <div><div></div></div> |
| Municipal Hospital №5 | 37.7 mn | 65.5% <div><div></div></div> |

chemical products, printed materials, and so on. Why furniture, food services, chemical products and similar goods and services needed to be bought on a non-competitive basis raises a few questions, as these markets have a substantial number of suppliers, which means that open tenders can be held and the hospital can save on costs

GOODS, WORKS AND SERVICES



Other buyers of medications include oblenergors, government offices, live-in state facilities, police departments, education administrations, military bases, and so on













More than half of the medications purchased through the ProZorro system were purchased by hospitals and health departments. At the same time, medications constitute only 12.4% of all procurements by HCFs and HCDs

Top 5 CPV based on signed contracts

QI-III
2017

QI-III
2018

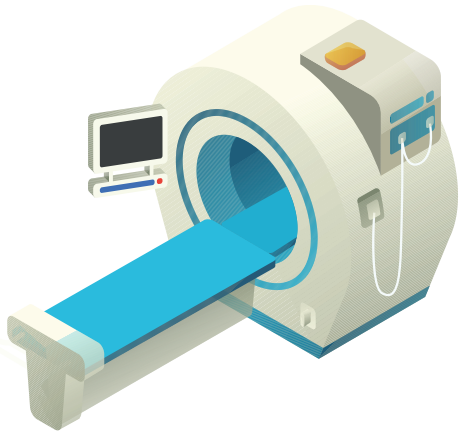
| CPV group (aggregated) | Total, UAH mn | % of all expenditures |
|--|------------------|---------------------------------|
|  Medical equipment, pharmaceuticals and personal hygiene products | 5 654.9 | 36.3% <div><div></div></div> |
|  Petroleum products, fuel, power, and other energy sources | 4 504.8 | 28.9% <div><div></div></div> |
|  Construction works and ongoing renovations | 1 798.7 | 11.5% <div><div></div></div> |
|  Foodstuffs, beverages, tobacco and related products | 847.5 | 5.4% <div><div></div></div> |
|  Healthcare services and social assistance | 423.3 | 2.7% <div><div></div></div> |

| CPV group (aggregated) | Total, UAH mn | % of all expenditures |
|--|------------------|---------------------------------|
|  Medical equipment, pharmaceuticals and personal hygiene products | 5 367.3 | 32.2% <div><div></div></div> |
|  Petroleum products, fuel, power, and other energy sources | 4 860.7 | 29.1% <div><div></div></div> |
|  Construction works and ongoing renovations | 2 371.2 | 14.2% <div><div></div></div> |
|  Foodstuffs, beverages, tobacco and related products | 938.9 | 5.6% <div><div></div></div> |
|  Chemical products | 364.0 | 2.2% <div><div></div></div> |

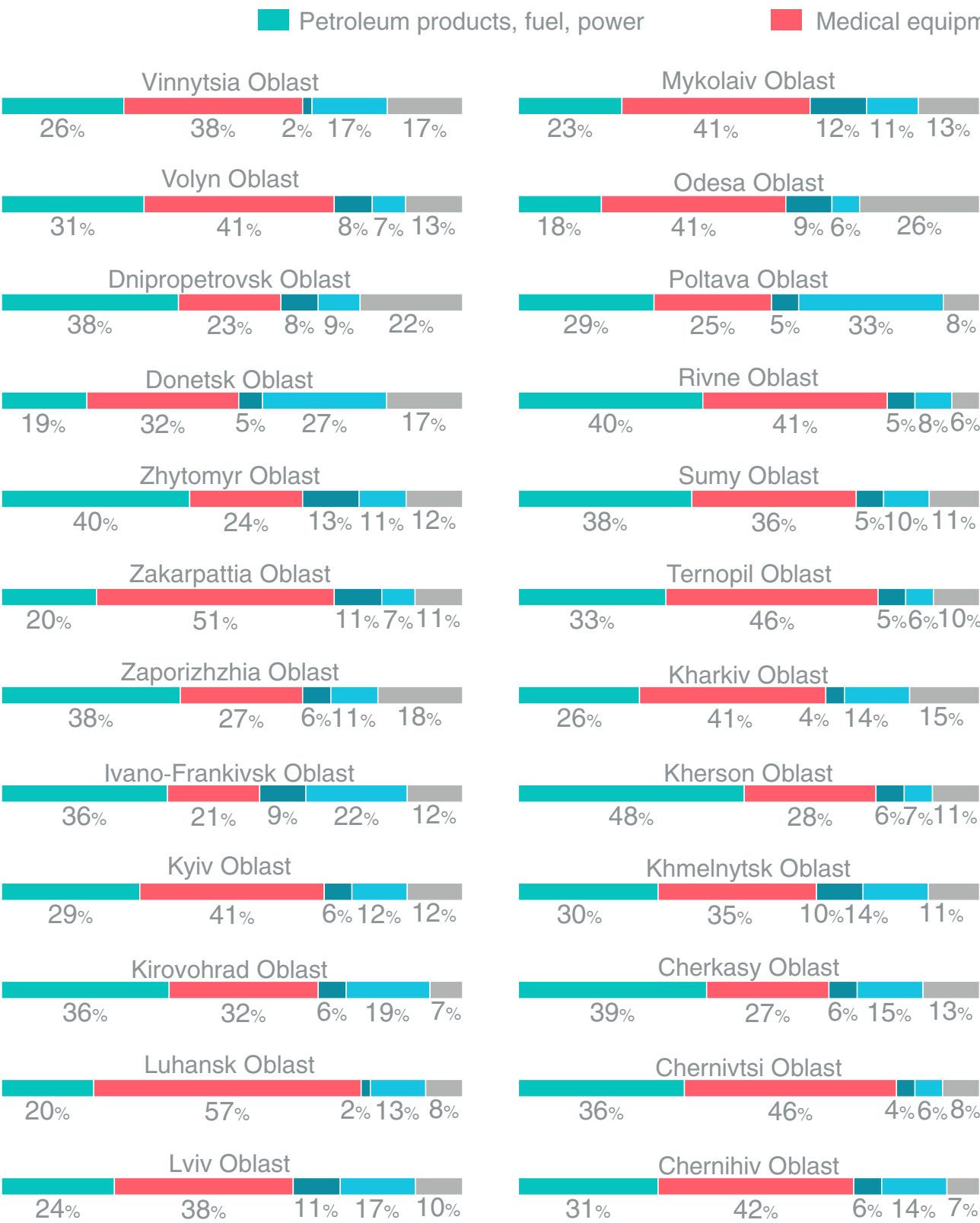
HCFs and HCDs typically spend the most on medical equipment, medications, energy resources, construction works, and food services. These groups of goods add up to around 80% of all procurements by HCFs and HCDs

The most expensive procurement of medical equipment in 2018 was made by the Feofania Clinical Hospital, which acquired a CT machine:

| | | |
|---|---|---|
|  65.0 UAH mn Estimated cost |  64.2 UAH mn Contract price |  0.8 UAH mn Savings |
|---|---|---|

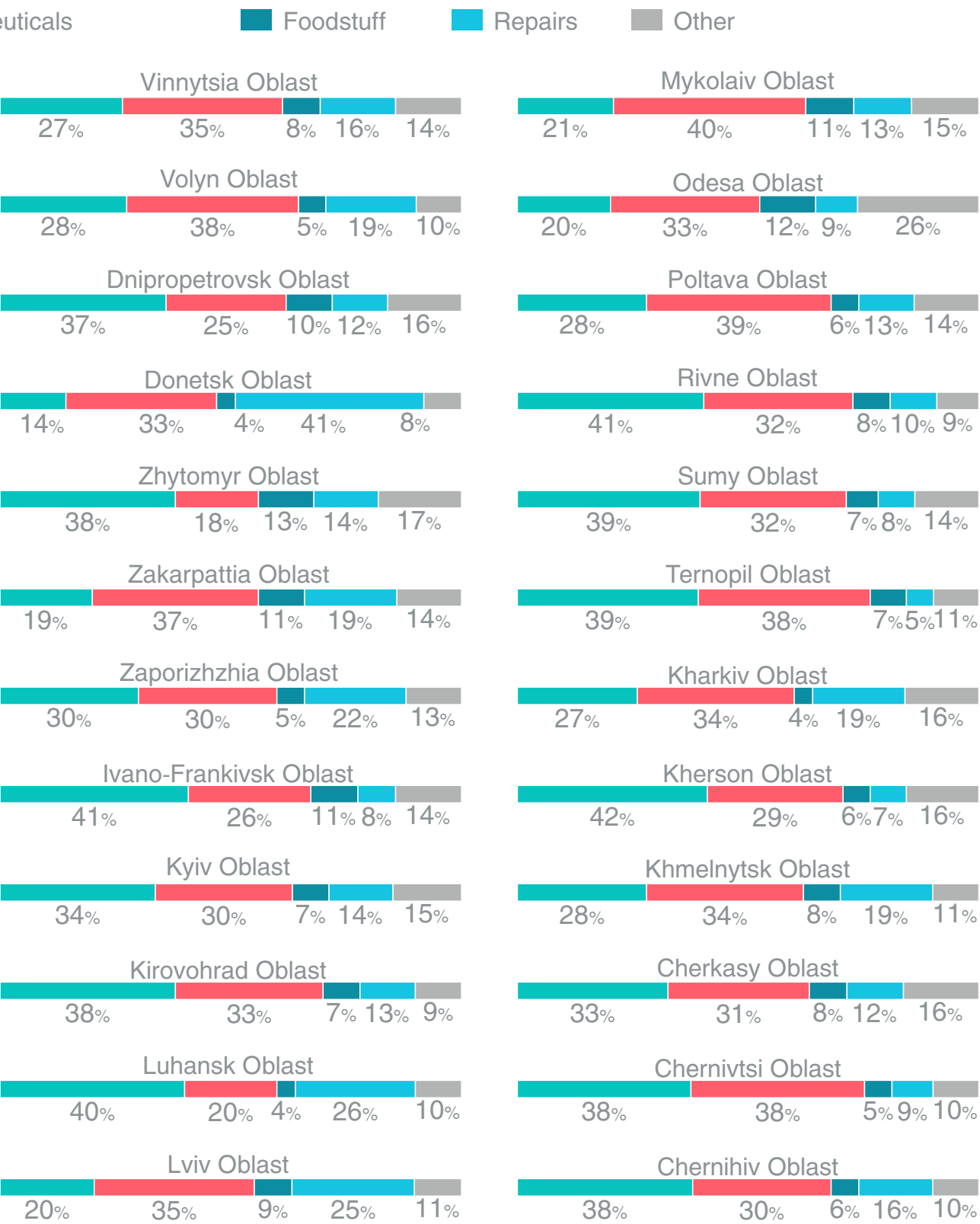


Procured goods in the oblasts, 2017



Procurement priorities vary from oblast to oblast, depending on a number of factors: the availability of the necessary goods and services in previous periods, the presence of an in-patient facility, the need for repairs, and so on. But the largest allocations traditionally go to the purchase of energy, medications and medical equipment—typically about 60%

Procured goods in the oblasts, 2018



Hospital spending on repairs ranged from 41% in Donetsk Oblast to 5% in Volyn, while spending on foodstuff ranged from 13% in Zhytomyr to 4% in Kharkiv

SAVINGS (competitive purchases)

QI-III
2017

885.8
UAH mn

Total savings

5.4%

% value of savings
for HCF/HCD

5.1%

Total % value of savings
nationwide

Below-threshold purchases:

| Estimated value, UAH | Savings, UAH | Savings, % |
|-------------------------|--------------------|---------------|
| 4.0 bn | 205.0 mn | 5.2% |

Above-threshold purchases:

| Estimated value, UAH | Savings, UAH | Savings, % |
|-------------------------|--------------------|---------------|
| 12.5 bn | 680.8 mn | 5.4% |

8 864
UAH

Average
savings



QI-III
2018

761.0
UAH mn

Total savings

4.3%

% value of savings
for HCF/HCD

4.0%

Total % value of savings
nationwide

Below-threshold purchases:

| Estimated value, UAH | Savings, UAH | Savings, % |
|-------------------------|--------------------|---------------|
| 4.2 bn | 158.1 mn | 3.8% |

Above-threshold purchases:

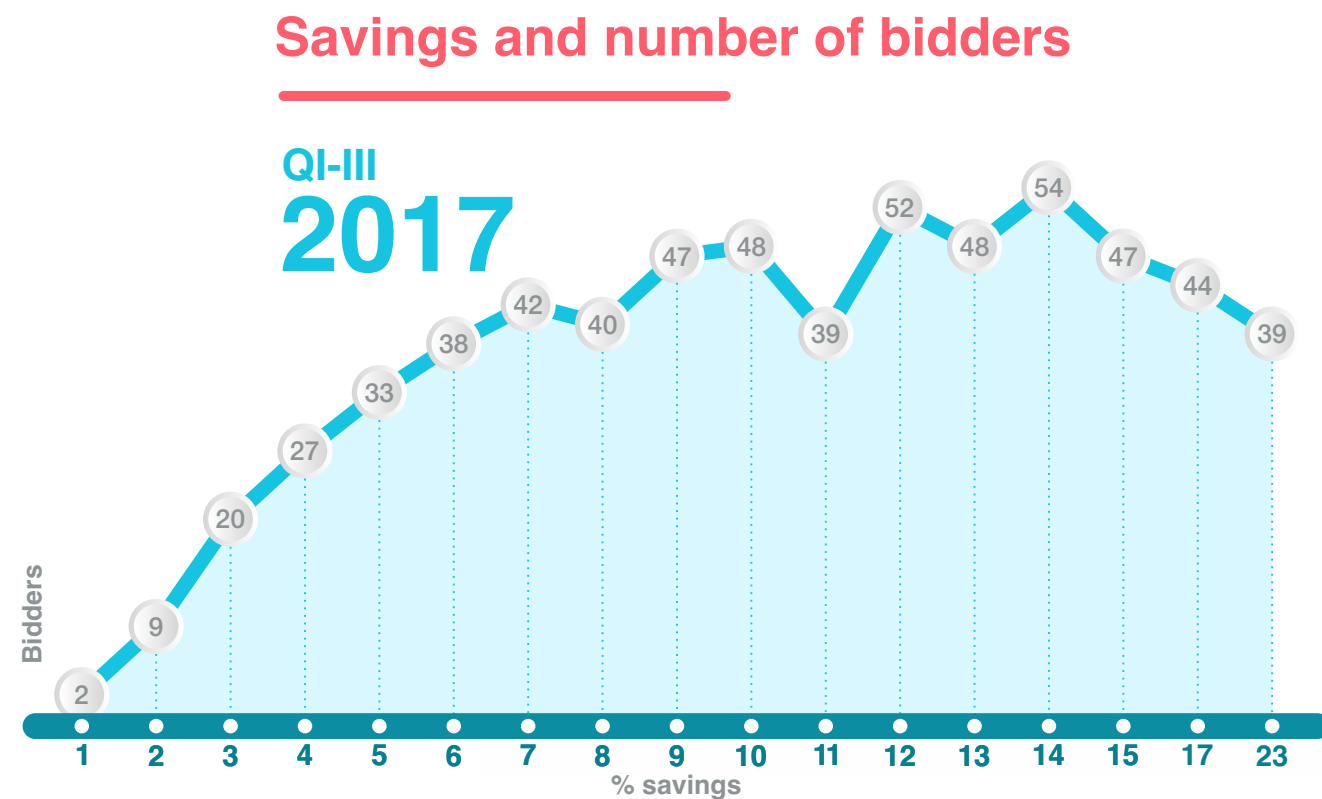
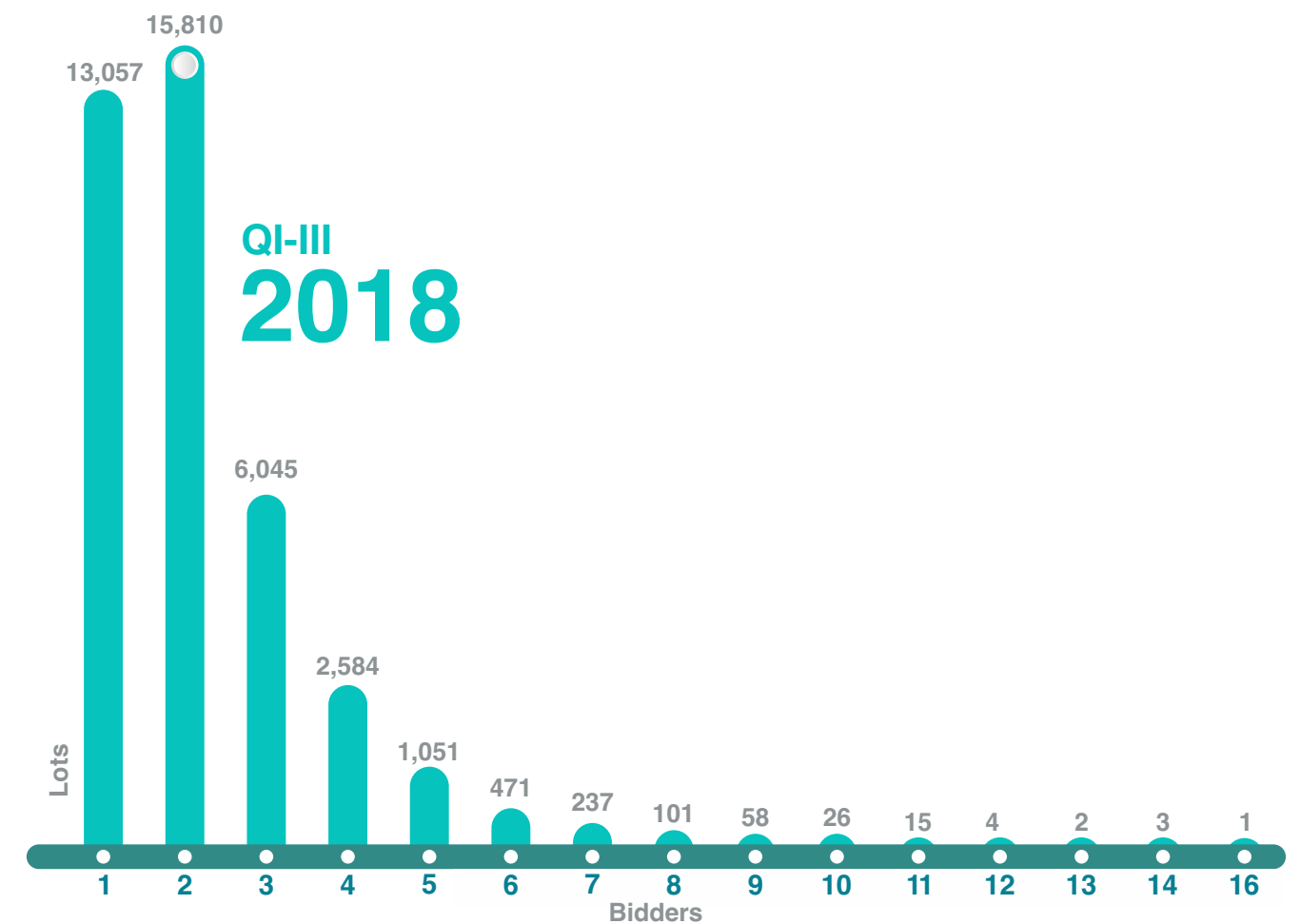
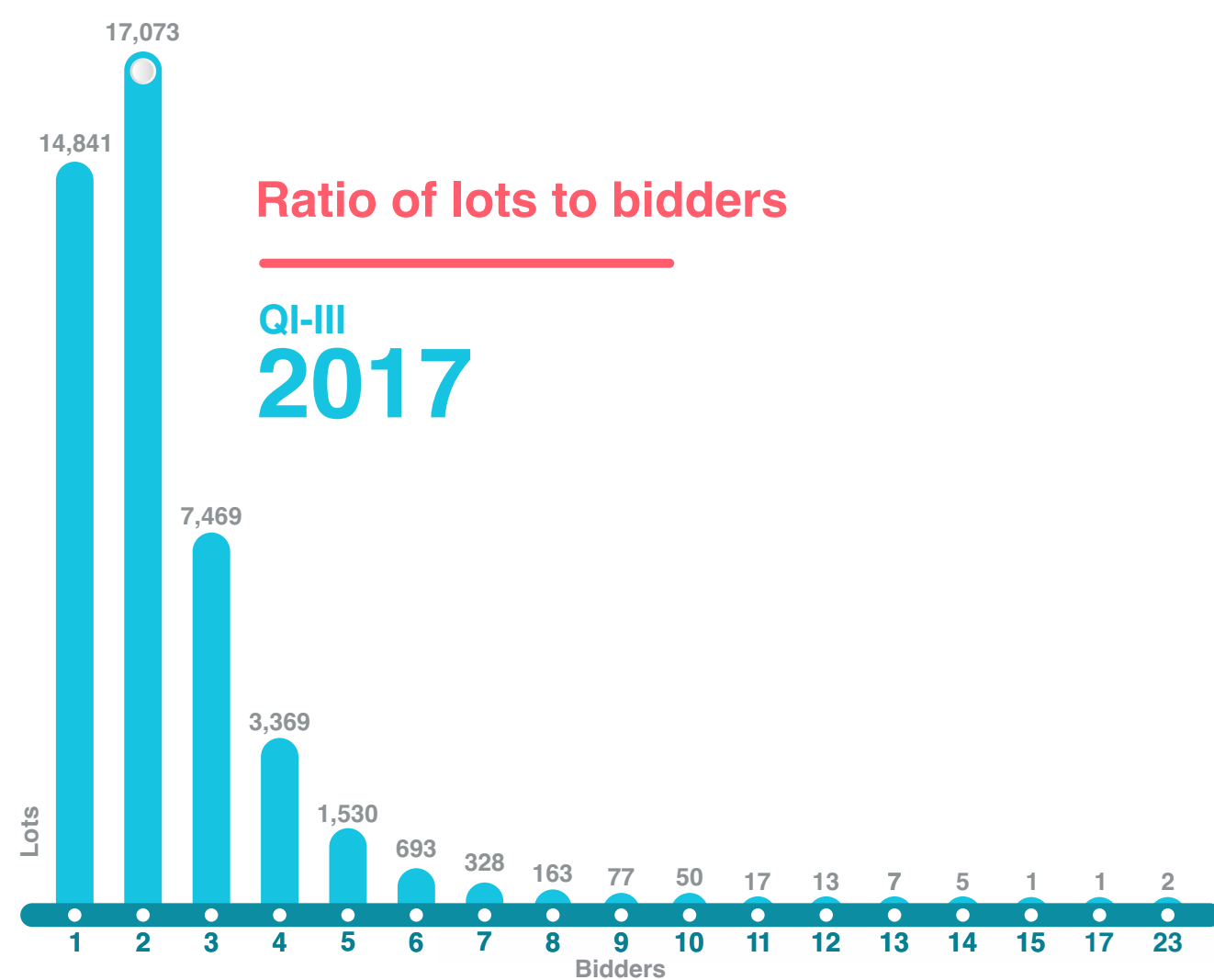
| Estimated value, UAH | Savings, UAH | Savings, % |
|-------------------------|--------------------|---------------|
| 13.6 bn | 603.0 mn | 4.4% |

6 831
UAH

Average
savings

On average, savings on HCF/HCD purchases are similar to these indicators for the entire country and are around 4%. The percentage of

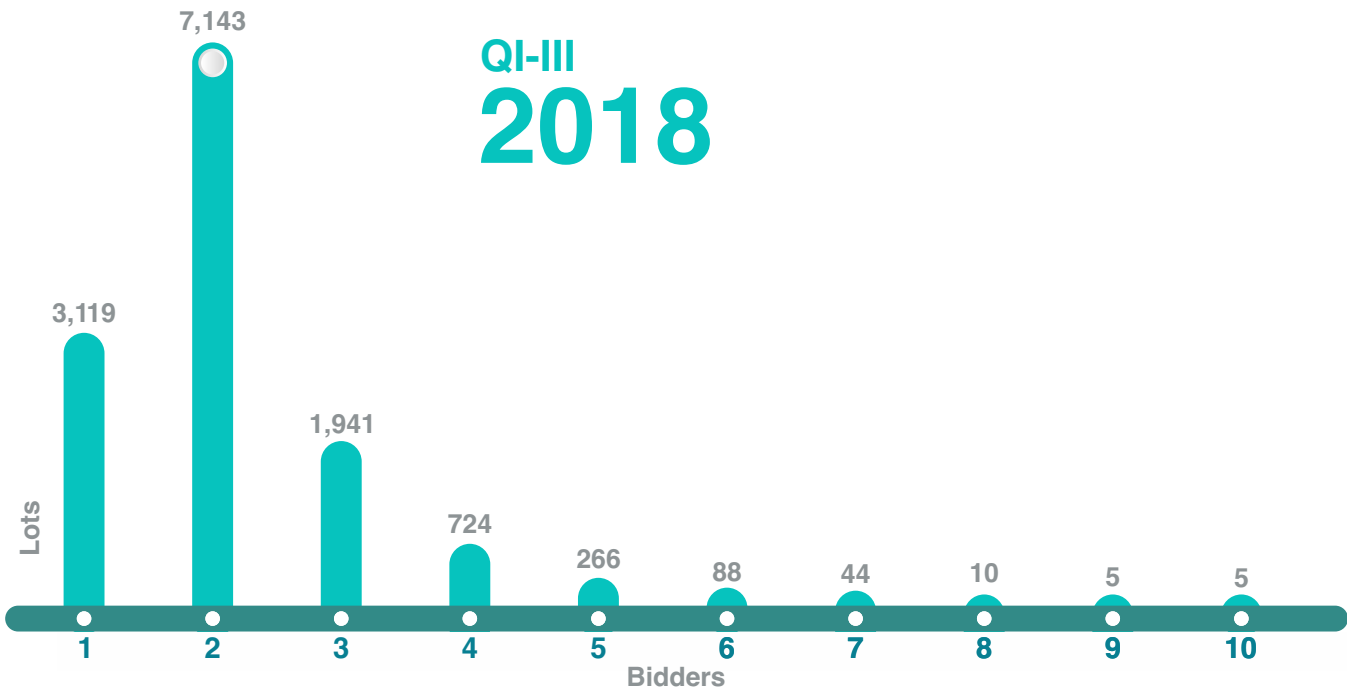
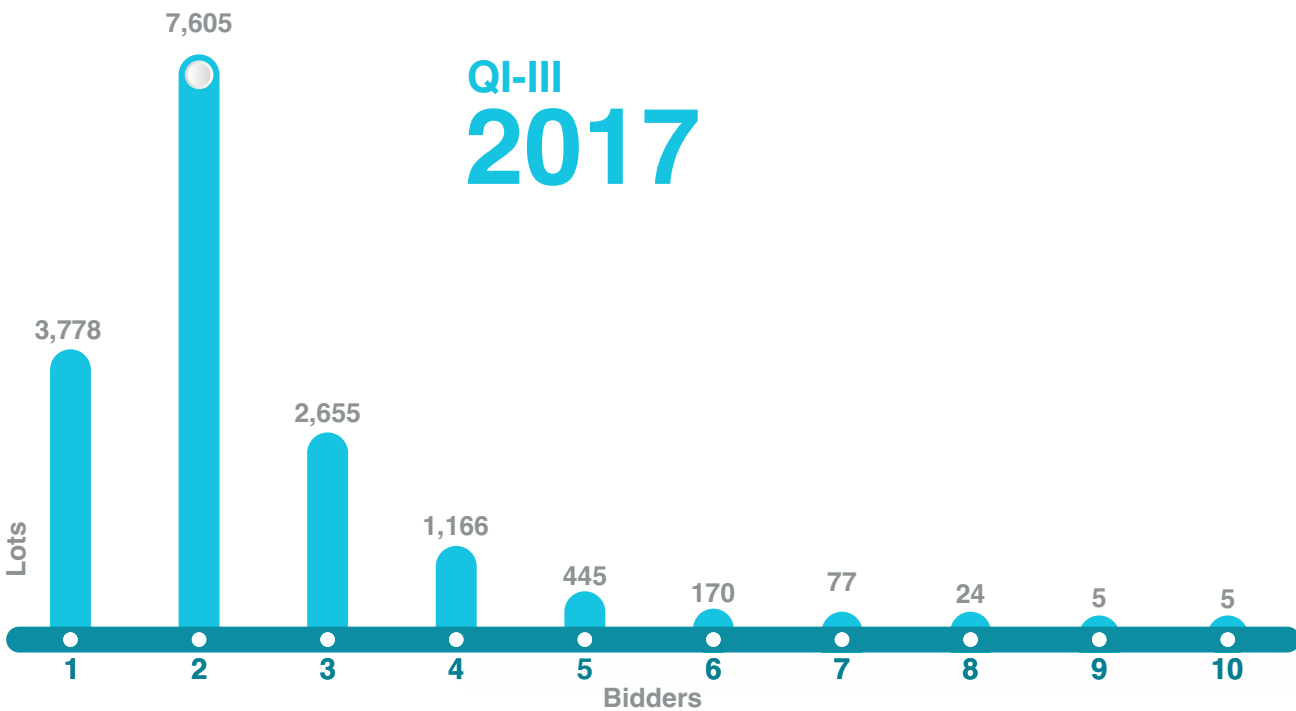
savings in 2018 was somewhat lower than in 2017, but it slipped almost equally for both below-threshold and above-threshold purchases



Nearly 70% of all purchases of medications and medical equipment involved only 1-2 suppliers and led to only about 4% savings for procuring entities. 25% of lots involved 3 to 5 bidders and led to average savings of 25%. About 5% of all lots involved 6-16 competing bidders and enjoyed savings of an average of 38% of the estimated value.

There is a clear tendency for savings to rise when there is a larger number of suppliers competing for a lot. However, the majority of purchases tend to happen through bids with little competition.

Ratio of bidders to lots (medications and medical equipment)




of bidders and savings (medications and medical equipment)





Nearly 77% of all purchases of medications and medical equipment involved only 1-2 suppliers and led to only about 3% savings for procuring entities in 2018. 22% of lots involved 3 to 5 bidders and led to average savings of 25%. Only about 1% of all lots involved 6-10 competing bidders and enjoyed savings of an average of 43%

The Meshchaninov Municipal Clinical Emergency Hospital of Kharkiv, a community HCF, announced a tender for 32.4 thousand bottles of 70% ethyl alcohol. Its announcement attracted 10 bidders

 **996.9**
UAH thousand
Estimated value











 **469.8**
UAH thousand
Contract price

 **527.1**
UAH thousand
Savings, 52,9%

 **TOV Zdorovya**
Pharmaceutical Company
Winner











Savings according to CPV categories

QI-III
2017

| CPV group of lot (aggregated) | % savings (median) | Total savings, UAH |
|---|---------------------------------|-----------------------|
|  66000000-0 Financial and insurance services | 45% <div><div></div></div> | 0.7 mn |
|  22000000-0 Printed and related materials | 35% <div><div></div></div> | 6.8 mn |
|  31000000-6 Electrical equipment and machinery, apparatuses, equipment and materials | 24% <div><div></div></div> | 3.1 mn |
|  39000000-2 Furniture, furnishings, appliances and cleaning materials | 14.5% <div><div></div></div> | 13.8 mn |
|  30000000-9 Office and computer equipment | 14% <div><div></div></div> | 6.6 mn |
|  15000000-8 Foodstuffs, beverages, tobacco and alcohol products | 12% <div><div></div></div> | 117.6 mn |
|  34000000-7 Transport equipment and accessories | 11% <div><div></div></div> | 12.2 mn |
|  33000000-0 Medical equipment pharmaceuticals and personal hygiene products | 8% <div><div></div></div> | 436.5 mn |
|  45000000-7 Construction works and ongoing repairs | 4% <div><div></div></div> | 98.2 mn |
|  09000000-3 Petroleum products, fuel, power, and other energy resources | 4% <div><div></div></div> | 81.3 mn |

The biggest savings in sheer numbers are in the procurement of medical equipment and medications: HCFs and HCDs managed to save themselves UAH 340mn. However, this is only 5% of the total value of procurement of this kind. Similarly, only 5% was saved on the procurement of energy resources, which is one of the biggest budget items for hospitals

QI-III
2018

| CPV group of lot (aggregated) | % savings (median) | Total savings, UAH |
|---|-------------------------------|-----------------------|
|  66000000-0 Financial and insurance services | 39% <div><div></div></div> | 0.8 mn |
|  22000000-0 Printed and related materials | 23% <div><div></div></div> | 4.2 mn |
|  31000000-6 Electrical equipment and machinery, apparatuses, equipment and materials | 20% <div><div></div></div> | 3.5 mn |
|  39000000-2 Furniture, furnishings, appliances and cleaning materials | 13% <div><div></div></div> | 10.4 mn |
|  30000000-9 Office and computer equipment | 11% <div><div></div></div> | 13.8 mn |
|  15000000-8 Foodstuffs, beverages, tobacco and alcohol products | 10% <div><div></div></div> | 109.7 mn |
|  34000000-7 Transport equipment and accessories | 10% <div><div></div></div> | 8.2 mn |
|  09000000-3 Petroleum products, fuel, power, and other energy resources | 5% <div><div></div></div> | 94.1 mn |
|  33000000-0 Medical equipment pharmaceuticals and personal hygiene products | 5% <div><div></div></div> | 340.0 mn |
|  45000000-7 Construction works and ongoing repairs | 3% <div><div></div></div> | 72.8 mn |

The biggest savings in terms of percentages were for the purchase of financial and insurance services, 39%, printed materials, 23%, and electronic equipment, 20%

CANCELLED / UNSUCCESSFUL LOTS

QI-III
2017

| | | |
|--------------------|--|-----------------|
| 3.1% | % of cancelled HCF/HCD purchases | |
| 3.4% | % of cancelled purchases nationwide | |
| 18.0% | Number of unsuccessful bids 23,179 lots out of 127,393 | |
| 87.7% | Most common reason for failed bids Lack of sufficient bidders | |
| 12.3% HCF/HCD | Disqualifications and cancellations by HCF/HCD | 16.3% OF ALL |
| 2.2% 2,841 lots | Unsuccessful bids due to disqualification | |



QI-III
2018

| | | |
|--------------------|--|-----------------|
| 2.4% | % of cancelled HCF/HCD purchases | |
| 2.5% | % of cancelled purchases nationwide | |
| 13.0% | Number of unsuccessful bids 17,630 lots out of 136,019 | |
| 87.2% | Most common reason for failed bids Lack of sufficient bidders | |
| 12.8% HCF/HCD | Disqualifications and cancellations by HCF/HCD | 15.6% OF ALL |
| 1.7% 2,249 lots | Unsuccessful bids due to disqualification | |

The main reasons for public procurement lots to fail was the disqualification of all bidders or a lack of the sufficient number of bidders. Other reasons included the procuring entity no longer needing the goods, requirements to remove evident violations, and so on

Compared to 2017, the number of unsuccessful HCF/HCD lots was down to 13% of the total in 2018. The most common reason for the failure of lots, nearly 90% of cases, was the lack of the sufficient number of bidders. Moreover, in 2018, only 1.7% of lots failed because all bidders had been disqualified

CONCLUSIONS

Overview

Over the first three quarters of 2018, 2,624 HCD and HCF procuring entities bought nearly 111,000 lots worth UAH 16.7bn. Compared to the same period of 2017, both lots and value went up. Total spending of HCDs and HCFs, as of October 1, 2018, was worth 2.2% of all procurement handled by the ProZorro system. Notably, with the process of making hospitals autonomous, community non-commercial enterprises, newly-established HCFs and the outpatient clinics of UTCs were included in the selection of procuring entities for 2018.

Below-threshold procurement

During these tenders, 83.8% of lots announced by procuring entities fell within the threshold boundaries of procurement. Interestingly, HCDs and HCFs spend considerably less on below-threshold purchases—25.6% for 2017—compared to the average across Ukraine—57.0% for 2017.

Below-threshold competition

No oblast increased its share of competitive below-threshold procedures. In fact, no oblast was able to even maintain the previous level. In some oblasts, the volume of competitive below-threshold procurement was down by as much as 50%.

Procurement “just below threshold”

In-depth analysis of below-threshold procurement shows that an abnormal number of lots were in the UAH 195- 199,999 range, with an estimated total worth of UAH 399.3mn. This was 9.5% of the total estimated value of all below-threshold purchases. This suggests that some procuring entities may be trying to avoid competitive procurement because they want to select their supplier and avoid open bids. Sometimes managers break up procurement into small lots to avoid the necessity to organize open bidding. Depending on the specific situation, this kind of behavior may be quite legitimate, but it can also be in violation of the law. Other situations include those where the procuring entities have a vested interest in signing a contract with a specific supplier for the highest possible price, UAH 199,999, which results in goods being procured at inflated prices.

Regional procurement

HCD and HCF spending diverges on a per capita basis in individual regions. Some oblasts are 50% below the top oblasts for spending, such as Lviv Oblast, which spent the most at UAH 563 per resident. In Luhansk Oblast, by contrast, only UAH 111 was spent per capita. Hospitals tend to spend relatively similar amounts for the procurement of goods, works and

services. However, the situation with medical supplies varies: 0.2% of procuring entities, meaning 5 hospitals, procured nearly 25% of all medical supplies in terms of value, among hospitals purchasing medical supplies during this period.

Hospital procurement

Nearly 80% of all hospital spending is on medical equipment, medicines, fuel and energy, construction works, and food. Moreover, just medicines and medical equipment account for more than 30% of all procurement spending by HCDs and HCFs.

Competitive and non-competitive procedures

Hospitals spent more than UAH 7.5bn in non-competitive procedures. Most of these purchases involved fuel and energy, food services, medicines, chemicals, and printed materials. More than half of all non-competitive procurement by HCDs and HCFs involved fuel and energy, 93% by value of which went for steam heating, hot water and electricity.

Overall, the trend towards a large share of utilities in non-competitive procurement follows general trends across Ukraine, mainly because of the limited competition in utility services.

Market monopolization

The number of suppliers of medicines and medical equipment grew from 1,046 to 1,485, but funding was unevenly spent on these items. About 1% of suppliers, whether drugs or equipment, signed 50% of all contracts with HCDs and HCFs, suggesting considerable monopolization on this market. This same kind of monopolization was observed in 2017 as well.

Competitiveness vs economies

The larger the selection of suppliers, the more savings procuring entities can enjoy, as suppliers compete amongst each other for lots. In the procurement of medical equipment and medicines, the presence of 10 participants in bidding can ensure an average saving of 53%. At the same time, economies appear to be shrinking in HCD and HCF procurement: savings are at the 4% level. For the first three quarters of 2018, about UAH 761mn was saved.

The greatest savings in absolute numbers came with the purchase of medical equipment and drugs, where HCDs and HCFs managed to save UAH 340mn. At the same time, this was only 5% of the total amount spent on these items. Moreover, only 5% was also saved on the purchase of fuel and energy, which is one of the biggest spending items for hospitals.



