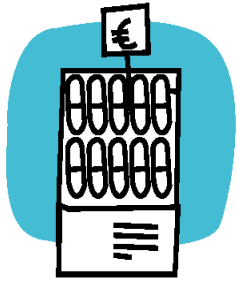




Unit 3: Are medicines an economic good like any other ?



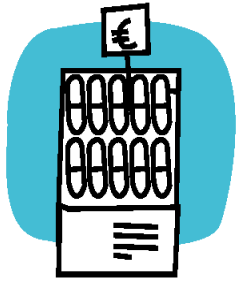
8. Looking at AGEPS, a regional procurement specialist



- I'm Claire Biot head of the General Agency for Health Equipment & Products (AGEPS). Let me explain AGEPS a bit before I explain the missions of our agency. What is AGEPS? We are the procurement specialist of medicines for the AP-HP public hospital system serving Paris and its suburbs. Our primary mission is to help supply hospitals and their patients with safe and effective health care products that meet institutional needs. We have 5 main areas of intervention. One, we evaluate products to find ones to list and recommend proper use. Two, we buy biomedical drugs and equipment. Three, we centralize delivery of pharmaceutical products through our logistics platform. Four, we develop and manufacture drugs for needs not met by the private sector. Last, we manage AP-HP's drug clinical trials. Now, let's talk about the evaluation and purchase of health care products. This diagram highlights our role in the life cycle of a drug. We step in after registration on the list of reimbursable drugs which is managed on a national level as was explained earlier in this MOOC. From there, a committee of AP-HP experts gathers called COMEDIMS the Committee for Medicines and Sterile Medical Devices. Based on the hospital's needs COMEDIMS establishes the drug formulary of the hospital. Once a drug is on this list, the committee looks for similar drugs that could be used as competitors to this particular product. Once this step is done let's say the drug goes on AP-HP's drug formulary we proceed with the actual purchase. We have two procedures depending on supplier competition. If there's competition, we use public tendering. If not, we negotiate a contract with a single supplier complying with public procurement regulations. First, I'll explain the tendering process in case of competition. Once COMEDIMS has determined therapeutic equivalent drugs but before the call for tenders, a group of experts come together called the Commission Technique Préparatoire. Bringing together nursing staff and health care professionals across all AP-HP hospitals allows us to evaluate actual needs and reach a consensus on product usage and volumes needed. This will impact how we group tenders and how we define evaluation criteria for the tendering process. At the same time, AGEPS experts take a closer look at the competitiveness of the market. Do we expect new suppliers to enter the market? Will regulations change? How important is a given supplier on the market? Here too, this will impact the technical aspects of the tenders: duration, grouping, and evaluation criteria. Once the tender is advertised, suppliers will send offers. To grade the tenders again, we solicit expert help from a grading committee made of AP-HP users who will evaluate tenders based on a level of quality of the offers we receive. We will select the tender with the highest score which we call the winning tender. I will now explain the second procedure for when there is no competition. In this case, AGEPS experts will assess the market. Their focus is on the supplier and the product we need. They consider how valuable AP-HP is for the supplier and how valuable this supplier is for AP-HP. This helps us gauge how much latitude we have in the negotiation. Knowing this and whether new suppliers are expected to enter the market will enable us to set a duration for the contract. Once this is determined, AGEPS experts meet with the supplier and start negotiating knowing that we have strong bargaining power that we can use in the negotiation. We represent 39 hospitals, thus a lot of patients 10% of hospitalized patients in France. That's why we can guarantee large volumes for the supplier. The fact that we have a single delivery location for all medications also benefits the supplier by simplifying their logistics details. Naturally, we have a price-volume approach.



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- The more we order compared to the previous year the lower the price we can ask of the supplier. For many products, we also point out how valuable it is for the supplier to have AP-HP as a customer in terms of brand image, based on AP-HP's reputation. Clearly, we want to use this argument in our negotiations. If we go back to our diagram, so far, we have reviewed the evaluation and the purchasing process. Now, once the contract is signed and the supplier gets an order AGEPS will centralize procurement and distribution for all medications and some medical devices. I will quickly explain how the process works: each hospital provides us with their needs AGEPS schedules deliveries from suppliers on a weekly or monthly basis based on product quantities and prices. Then we provide hospitals with what they need so we can optimize inventory on an institutional level. Next, products are used by hospitals in the AP-HP network. But the role of AGEPS doesn't end there. On the diagram all the steps circled in light blue highlight our areas of intervention. These include all the steps that take place before but also after the product use so we can monitor the execution of the contract. We intervene in case of problems with the supplier and especially in the case of supply issues such as shortages or stockouts. In case of shortages we launch a quota system procedure so we can maintain minimum inventory levels within AP-HP for as long as possible. Product deliveries to AP-HP's hospitals are made sparingly and inventory levels are controlled tightly working with the supplier in question and the National Agency of Medicine and Health Products Safety. In case of stockout we have in our contracts an off-contract claims procedure. We look for a product that can replace the out-of-stock product which applies only when therapeutic equivalents are available. So the defaulting supplier must reimburse the price difference between the price of the alternative product and their own. To conclude, I have shown you how a regional procurement specialist operates on the market for health care products especially, how AP-HP uses its size to fulfill its mission. First, because we can reach a consensus among users which allows us to cut the number of products in the drug formulary and to commit to large volumes for the products in the formulary. Second, thanks to a centralized delivery location which benefits our suppliers from a logistical standpoint. Last, our centralized inventory management system helps us cope with increasingly frequent product shortages and stockouts. Thank you.

