

Case study

Tamil Nadu Medical services corporation

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It is five in the evening, but patients are still making a beeline to see Dr. N. Vijayalaxmi, the duty doctor at the district headquarters hospital at Thiruvallur, about 50 km from Chennai. The doctor patiently listens to each one of them, chides some for not coming in earlier in spite of fever, and furiously scribbles tests and medicines.

Although the hospital lacks the spiffy look of private institutions, it treats about 1,500-2,000 patients a day. "The number of patients has at least doubled," says Dr. Vijayalaxmi, who joined the hospital four years ago. There are only about three doctors on duty at any given point of time.

Though the hospital staffing has not kept pace with the increase in the number of patients, she does not recall a single instance during those years when the hospital has been short of medicines. Over the years, it has also acquired modern equipment such as a CT scanner, nebulisers and those used in physiotherapy.

"Sometimes we get referrals from even private hospitals here," the amiable doctor says with visible pride.

The Thiruvallur hospital is not an isolated case of a well-functioning public health care system. Tamil Nadu boasts of the best public health care system in the country. State care is so competitive that until some time ago, deliveries in private hospitals in Chennai city often cost less than those in rural Bihar. At about 9 percent of its health budget, Tamil Nadu spends the most on drugs among states. Its per capita drug allocation in 2006-2007 was Rs. 27. In comparison, Rajasthan's was Rs. 2 in 2005-2006 and Uttar Pradesh's was Rs. 3. Even Kerala, which boasts of reasonably robust public health care, spent only 1.5 percent of its health budget on drugs.

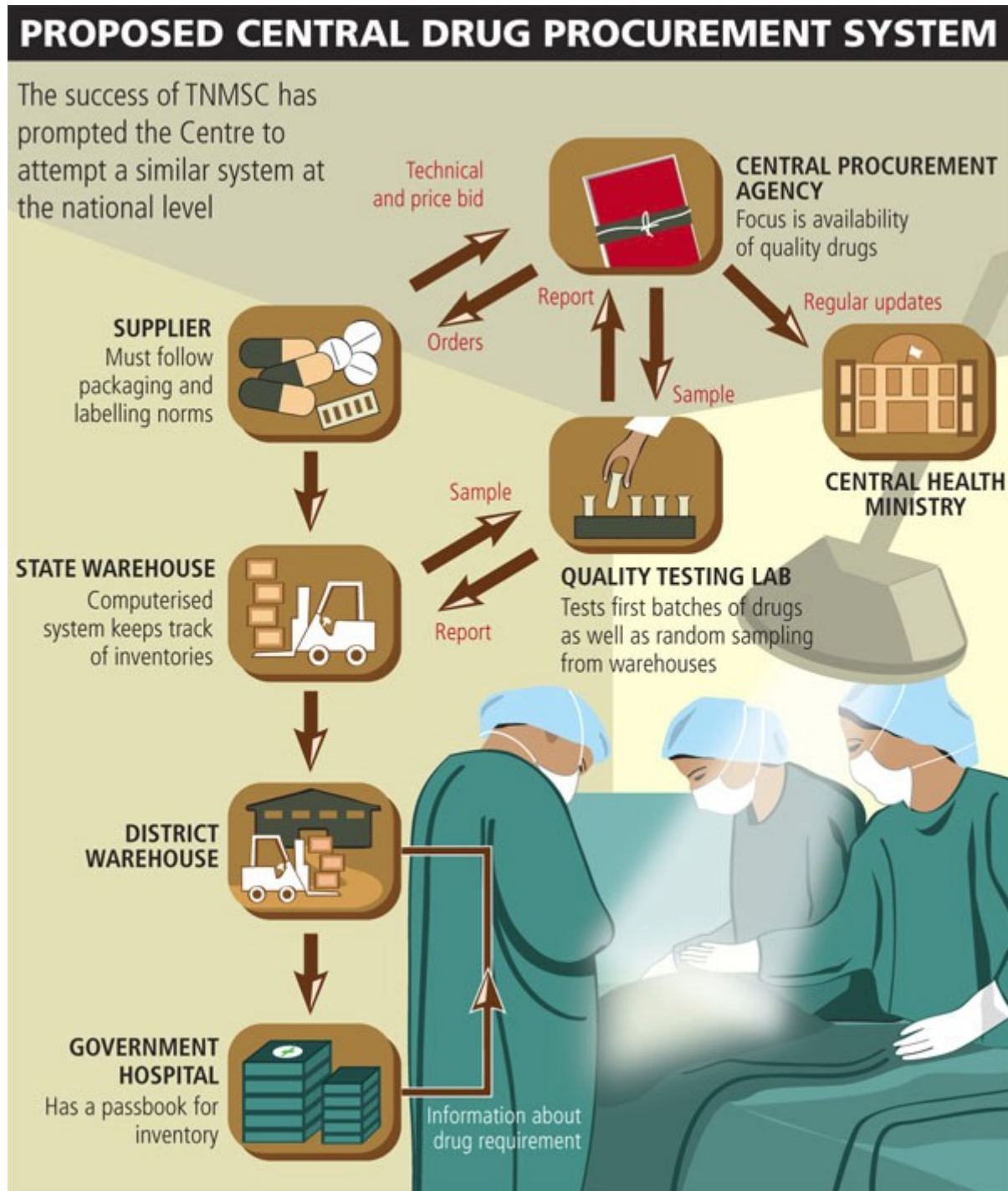
One of the pillars of this successful system is the Tamil Nadu Medical Services Corporation (TNMSC), a state-owned company set up under the Companies Act in 1994 in the wake of a spurious drugs scam. The corporation streamlined drug procurement in the state and has helped shave costs by about 30 percent.

"TNMSC has a simple goal," says R. Poornalingam, who set the company up. "It has to ensure availability of quality drugs to everyone at an affordable cost." The central government is now using the TNMSC model as a national benchmark in rational use of drugs in the public sector in procuring, logistics and capacity building. The ministry has also proposed a company for the central government to manage the supply chain of centrally administered programmes such as malaria and TB eradication, pulse polio and HIV control. It has roped in Poornalingam as the chief evangelist for the project.

The Model

When TNMSC was set up, drug procurement in the state was scattered, with each public hospital sourcing drugs on its own with no standard procedures. TNMSC, which relied heavily on information technology systems and processes to streamline drug procurement, helped in dramatically bringing down drug prices. For instance, the price of 10 strips of antibiotic ciprofloxacin tablets in 1992-1994 (before TNMSC) was Rs. 525. That fell to Rs. 88 in 2002-2003. Similarly, the cost of 100 Norfloxacin tablets fell from Rs. 290 to Rs. 51.30 during the same period.

These improvements have helped bring down the average cost of drugs for inpatients in Tamil Nadu's public hospitals to Rs. 102, according to the National Sample Survey Organisation's (NSSO) sixtieth round survey in 2004. In comparison, the average cost of drugs was Rs. 3,268 in Haryana, Rs. 2,166 in Himachal Pradesh and Rs. 3,187 in Rajasthan. The total average cost of a patient's hospital stay in Tamil Nadu was the lowest at Rs. 255.



Read more: <http://forbesindia.com/article/on-assignment/tamil-nadu-medical-services-corporation-a-success-story/15562/1#ixzz3dIx7HcIP>

The key to TNMSC's success is its tendering process and a passbook system for

distributing drugs. It floats tenders at the beginning of every year to identify suppliers for about 250 drugs, which are the most used and usually cover the treatment spectrum. When the purchases are state funded, it follows a two-tier tendering process where first technical bids are evaluated and then price bids decide the supplier.

TNMSC follows a stringent testing process — it currently has about 11 laboratories empanelled with it. These labs test the first batches of every drug supplied and subsequently also random samples picked from TNMSC's 25 warehouses spread across the state. Earlier, drugs used to be supplied in bulk. The corporation put an end to it and insisted on blister packaging and special labelling for it in English and Tamil, which made it difficult to divert them.

In a 2004 paper on access to drugs in public health facilities in Tamil Nadu, Leela Visaria of the Gujarat Institute of Development Research mentions that during a survey in Kanchipuram district, several patients she spoke to could identify the drugs by name instead of colour. One woman said that the strip-packed tablets appeared more genuine and were more effective than the loose tablets given wrapped in a piece of newspaper!

Once the tests approve the drug, TNMSC places regular orders through the year depending on inventory levels in its warehouses. A computerised management information system constantly keeps track of inventories in warehouses and helps place orders and clear payments within 15 days. The system has put an end to excess as well as shortage of drugs.

Girija Vaidyanathan, mission director of National Rural Health Mission (NRHM) in Tamil Nadu says that the concept of passbook introduced by TNMSC was the real innovation. Poornalingam, the architect of TNMSC, says he was inspired by banks to have a similar system to keep track of inventory. Every user of the drug (government run clinics, polyclinics and hospitals) is issued a passbook. Whenever a user requires a drug, it informs the nearest warehouse, which immediately fulfills the order. The name and value of the drug issues is immediately entered in the passbook, which forms the backbone of the information system.

The two key aspects that keep TNMSC going are the transparency in processes and the ruthless dealing with suppliers, says Dr. K. Gopal, managing director of TNMSC. "Any drop in quality and the supplier is immediately blacklisted," says Dr. Gopal. Currently, the blacklist has about 60-70 companies. Once blacklisted, they can't return for four years. And when they return, they are subject to intense scrutiny. TNMSC currently sources 251 drugs, 90 pieces of surgical equipment and 80 types of sutures from about 125 suppliers.

While the system has worked very well, it still is not foolproof. Last year, a controversy broke out after media reports revealed that several batches of an iodine-based disinfectant solution used widely in surgeries was merely water or soap solution. The supplier and the lab which tested it were eventually blacklisted. Dr. Gopal declined to speak on the issue but said that it had been sorted out.

One of the reasons for such missteps could be the growth of TNMSC, though Dr. Gopal denies it, insisting that quality is never compromised. The corporation has expanded drug procurement to

veterinary drugs and medical equipment.

NRHM's Vaidyanathan says that TNMSC is the best thing to have happened to the public health care system in Tamil Nadu but increasing volumes may be putting pressure on maintaining quality. The diversification into equipment is a different issue altogether which requires a parallel system of bio-medical engineers. "That little bug is yet to be fixed," Vaidyanathan says. Dr. Gopal is already trying to fix it. He admits that manpower is an issue as the company has grown. To tackle the issue of supplier pressure in equipment purchase, he is preparing a standard code of specifications for medical equipment.

Going National

Amarjeet Sinha, joint secretary in the ministry of health and family welfare, says that the government wants to set up similar corporations in at least 10 states in the next five years.

The objectives of the Centre's rational drug use policy tie in nicely with the results shown by TNMSC. The policy is aimed at breaking the stranglehold of suppliers on the public health system, promoting correct drugs and dosage and curbing unnecessary prescription. However, its success hinges on availability and accessibility of crucial drugs.

A ministry document says that about 300-400 essential drugs are enough to treat most illnesses. Yet 70,000 formulations are available in the market. Often formulations such as cough syrups, tonics, digestives are made of drugs that have no therapeutic value, or have much less value than the generic preparation of the active ingredient.

Corporate consolidation in the drug industry is also worrying the health ministry. TNMSC manages to save costs because it purchases only generic drugs. However, the health ministry says that large companies are manipulating the prices of even generic drugs by buying up smaller generic companies and keeping prices high to discourage their use.

Poornalingam, who is the chairman of the health ministry task force on procurement and is charged with spreading the gospel to the states, says that there is resistance among states to adopt the TNMSC model because of vested interests in the governments, bad suppliers who have a grip on the system and lack of champions. He has suggested a central procurement agency too to source drugs and vaccines for national programmes such as malaria eradication, pulse polio and HIV. He expects such a company to save about Rs. 300 crore every year by setting up 50 warehouses and a chain across states at a cost of just Rs. 50 crore. So far, only Kerala has set up a functioning corporation. West Bengal has set up one and appointed the managing director, but it is yet to start functioning because the employee unions are yet to come around to support it. Chattisgarh and Bihar cabinets have approved setting up a corporation each and Rajasthan is in the process of taking it to the cabinet.

Meanwhile the district health office at Thiruvallur proudly displays a shield won for being one of the best performing under NRHM. It is a shield that TNMSC could wear with pride.

(Source- Forbes India July 27, 2015)

Questions

1. Critically examine the model of TNMSC for supply chain management of drugs and disposables.
2. Compare the TNMSC model with other states of India?