



*Republic of the Philippines
Province of South Cotabato*

PROVINCIAL GOVERNMENT OF SOUTH COTABATO
City of Koronadal

HEALTH PLUS SHOP-IN-A-SHOP
THE FRIENDLY DRUGS: A PPP on HEALTH PLUS PROJECT

Executive Summary

For over four (4) decades since its establishment, South Cotabato Provincial Hospital is faced with the dilemma on how to address congestion and supplies needs of patients. From just barely more than a hundred patients before, SCPH is catering to as many as 352 patients a day in 2013 (SCPH Annual Statistical Report, 2013) and an average of 485 patients per day in 2019. All these patients come from the 10 municipalities, City of Koronadal and other municipalities of neighboring provinces (ie. Lutayan and Columbio Municipiplities). Confined with the limited financial resources of the government, inadequacy of drugs and medicines, and supplies for its patients has become a perennial problem.

Due to less access to safe and quality essential medicines of the poor patients, the rate of mortality increased which becomes a growing concern not only of the South Cotabato Provincial Hospital but also of the provincial government and the community.

One of its development partners, the Mahintana Foundation Inc., a non-stock, non-profit development foundation recognized this problem and was challenged to provide intervention. It partnered with the National Pharmaceutical Foundation (NPF) through the Health Plus Program.

On February 10, 2009, Health Plus Shop-in a –Shop (HPSis) was introduced and was piloted at the SCPH, a program designed to complement the hospital pharmacy in addressing the drugs, medicines and supplies shortage and to provide its continuous and affordable supply for the benefit of the indigent and PhilHealth patients of the SCPH.

It is recognized by the Department of Health (DOH), Center for Health and Development Region XII (CHD RO 12) and Food and Drug Administration (FDA). A Memorandum of Agreement was signed by the provincial government and Mahintana Foundation, Inc. to support the establishment of HPSiS. To ensure the sustainability of the program, a Technical Working Group was created and they convene monthly or as necessary to discuss issues and concerns pertaining to its operation.

With this program, more and more patients gained access to quality and affordable drugs and medicines and the mortality rate of the hospital significantly decreased and is now maintaining a not less than 85% Patient Recovery Rate. In addition, it

has also significantly reduced the out-of-pocket spending of the poor patients of SCPH.

Considering the value and benefits that this PPP project provides to the people, its implementation is sustained despite leadership transition. In fact, it is further intensified with the advent of Free Hospitalization Program implemented through the initiative of Governor Reynaldo S. Tamayo, Jr. in 2019, the Free Hospitalization Program is implemented having the MFI as a very strong support organization. Such sturdy partnership aid unleashed the health and hospitalization burdens of the constituents.

Likewise, HPSiS helps rationalize the prices of drugs and medicines of private-owned pharmacies within the vicinity of the hospital. Further, HPSiS contributes to the popularization and implementation of the Generics Law.

Various benefits and positive results were gained from the HPSiS Project especially covering the Governance and Finance aspects. Among these benefits which provided great impact to the indigent patients of the SCPH and the hospital as well include achievement of Universal Health Care, increase in life expectancy, changed perception, increased trust of citizens to the government, and improved satisfaction and comfort of patients.

II. Project Description

Looking at the Philippine Health System, there is an increase from 47% in 1997 to 57% in 2007 of the out-of-pocket health expenditures (NSCB, 2007). Further, analysis of FIES revealed that almost 66% of the total health out-of-pocket is accounted for pharmaceutical expenditures. Meanwhile, the Philippines is one of the biggest pharmaceutical markets in the ASEAN region and drugs are more expensive than in other Asian countries. Hence, affects significantly the poor clients of health service delivery.

The Philippine Government however, has enacted laws and established mechanisms which primarily promote generics and increase supply of cheaper medicines: the Generics Act (RA 6675), the Cheaper Medicines Act (RA 9502), the Food and Drug Administration Act of 2009 (RA 9711) and the AO 2008-01 requiring maximum retail prices for a number of drugs intend to improve accessibility to affordable quality medicine. Also, Botika ng Barangays (BnBs), Botika ng Bayan (BNB) and other Pharmaceutical Distribution Networks (PDNs) were established.

It is with these opportunities and concerns that Mahintana Foundation, Inc. (MFI)- a South Cotabato-based non-stock, non-profit, and non-government organization has entered into partnership with the National Pharmaceutical Foundation (NPF), Food and Drug Administration XII, and DOH-XII in 2007 in providing investments to government hospitals, LGUs/RHUs and civil society organizations (CSOs) for the supply and distribution of essential drugs, medicines and supplies through the Health Plus Social Franchising Project.

Likewise, the Provincial Government of South Cotabato (PGSC) recognized the perennial problem yet an essential part in its hospitals system which is the lack of affordable, quality and complete drugs, medicines and medical supplies. Considerably affected of this is the South Cotabato Provincial Hospital (SCPH) which

is a tertiary facility catering to an average of 352 patients based on floor census exceeding its authorized bed capacity of 200.

This lack of access to quality medicines along with other impeding factors in achieving the desired health status of the community as well as to attain the 2015 Millennium Development Goals (MDG) Targets posed a challenge to the members of the Provincial Coordinating Council for Health Concerns (PCCHC), a council of various organizations in the province that serves as consultative and advisory body of the Integrated Provincial Health Office (IPHO) as well as partner of IPHO in developing health programs.

To address the demand considering the inadequate financial resources, the PGSC acted through its IPHO to initiate response interventions and brought up the issue together with the financing committee of the PCCHC. It was then that MFI being the chair of the financing committee as well as being one of the developmental partners of the province engaging in Public-Private Partnership (PPP) initiatives, had entered into a Memorandum of Agreement with the Provincial Government of South Cotabato in the 26th day of November, 2008 and the Health Plus Shop in a Shop (HPSiS) project was established and piloted at the SCPH on February 10, 2009.

The program which is a domain of the larger Health Plus Program in the province aims to bring affordable and quality generic medicines accessible to the poor patients at any given time. This was designed to complement the hospital pharmacy in providing continuous and affordable supply for the benefit of the indigent patients of the SCPH. Moreover, this mechanism ensures compliance with Philhealth's policy on *No Balance Billing* (NBB) in hospitals and further addresses concerns related to the delayed procurement of medicine and other medical supply procurement in government health facilities.

In addition, the HEALTH Plus Project of the MFI provides the provincial government a rebate equivalent to 70% of its net income.

To date, the PGSC and MFI continuously worked together and have replicated its generic drug distribution in South Cotabato. A total of three (3) HPSiS outlets were established at Polomolok Municipal Hospital, Norala District Hospital and RHU-Lake Sebu on August 25, 2011 and September 2, 2011 (the latter HPSiS transferred to now known as SOCKSARGEN General Hospital) respectively with the funding support from AusAID-PACAP amounting to Php 1.649 Million.

III. Implementation Procedures/Strategies

As a response to such provincial scenario, the Mahintana Foundation, Incorporated (MFI) – a non-stock, non-profit and non-government organization which is a member of the Provincial Coordinating Council for Health Concern (PCCHC), took the initiative of entering into a partnership with the National Pharmaceutical Foundation (NPF), Food and Drug Administration XII, and DOH XII in providing investments to government hospitals for the supply and distribution of

affordable and quality drugs, medicines and supplies through the Health Plus Social Financing Project. In order to increase the accessibility of affordable drugs and medicines, the PLGU and MFI entered into a PPP Scheme through a Memorandum of Agreement (MOA) in which the MFI will provide the cost of goods and expenses while the PLGU will provide the free space for the HPSiS within the SCPH. A 70-30 net revenue sharing scheme in favor of the PLGU also augments to the budget for facility and service enhancements of the hospital. The HPSiS is designed to complement the hospital pharmacy in providing continuous and affordable supply of pocket-friendly drugs for indigent patients. Finally, because of the PPP scheme, the fastidious acquisition of needed drugs, medicines and supplies is enabled.

PROMOTION OF PEOPLE'S PARTICIPATION AND EMPOWERMENT

The Friendly Drugs Project is a genuine manifestation of people's participation and empowerment through the representation of People's Organizations (POs), Non-Government Organizations (NGOs) and Interest Groups in special bodies of the government as mandated by the Local Government Code of 1991. As a brain child born from meetings and discussions of the Provincial Coordinating Council for Health Concerns (PCCHC) of South Cotabato, and as the FIRST public-private partnership project on health in the Philippines, the Friendly Drugs Project represents a project "of the people by the people for the people."

People's Participation and Empowerment at the Core of the Operation.

The HPSiS design highlights people's participation and empowerment with the MFI, as the project's private partner, is responsible for hiring of pharmacy personnel, management of operation, dispensing of drugs and medicines and daily record-keeping of transactions. Through the use of up-to-date technologies and softwares such as the Integrated Hospital Operations and Management Information System (iHOMIS) and Point of Sale (POS) System, transparency is enhanced and access to information by key stakeholders is enabled.

Empowering the Socio-Economically Marginalized Patients and Clients.

With this project, patients and other clients especially the poor have become increasingly aware that cheaper yet equally effective medicines and supplies are available within the hospital premises. The existence of the HPSiS alongside the SCPH pharmacy also empowers patients by giving them more options for affordable and quality medicines. Because of the increased awareness and availability of options, patients become more vigilant on drugs and medicines prescribed to them consequently helping SCPH in achieving full compliance to the Generics Act, and other related national legislations.

People's Participation through Patronization. By simply patronizing the HPSiS, patients and other clients contribute to project sustainability and ultimately to better health care facilities and services. This unique design feature ensures that the people are at the core not only of the operation but even at the revenue sharing aspect. Because of the 70-30 net revenue sharing scheme favoring the Provincial Government, continued patronage of the HPSiS will result to higher revenue generation and with it, a larger sum of the 70% can be used to enhance the hospital's facilities, equipment and services.

Participation through Feedback Mechanisms and Consultations. At present, stakeholders are engaged through feedback mechanisms and through semi-annual and monthly monitoring and evaluation conducted by the Project Management Team (PMT) and the Technical Working Group (TWG). As part of the project's design, consultations are conducted and coordinated with the Department of Health, the National Pharmaceutical Foundation and the Provincial Pharmaceutical Franchisee on matters pertaining to drugs, medicines and medical supplies.

In essence, the success of the Friendly Drugs Project relies primarily on people's participation and the involvement of different stakeholders in the province. The project's unique design of providing affordable, quality and essential drugs and medicines to the poor and still giving back 70% of its net revenue share for the improvement of hospital facilities and services is indispensable. The more that the people are empowered, the more that this project guarantees success in spreading its positive impacts and in helping alleviate the rigors of hospitalization especially to the poor.

INNOVATIONS

The innovations of the project emphasized improving health governance thru PPP, Adoption of Faster Procurement System and Complementarity of iHOMIS and POS System of Inventory.

On Improving Health Governance Through Public-Private Partnership (PPP).

By far the FIRST public-private partnership (PPP) project on Health in the Philippines, the Health Plus Shop in a Shop (HPSiS) enables the provision of and increased access to affordable, quality and essential drugs, medicines and supplies that significantly reduces out-of-pocket spending of patients and at the same time augments to the financial resources of the SCPH for facility and service enhancements through the 70-30 net revenue sharing scheme. Through the initiative of the Mahintana Foundation, Incorporated (MFI) – a non-stock, non-profit, and non-government organization – with the concurrence of the Provincial Government of South Cotabato, a partnership with the National Pharmaceutical Foundation (NPF), Food and Drug Administration XII and Department of Health (DOH) XII was established in 2007 to provide investments to government hospitals, LGUs/RHUs and CSOs for the supply and distribution of affordable drugs, medicines and supplies through the Health Plus Social Franchising Project hence the birth of the HPSiS. Through a Memorandum of Agreement (MOA) between the MFI and the PLGU, the HPSiS was established within the South Cotabato Provincial Hospital designed to complement the hospital pharmacy in dispensing affordable generic drugs and family planning commodities to patients especially those that are socio-economically marginalized. Such arrangement increased the bulk and variety of generic drugs and supplies available for SCPH patients who no longer needs to buy the prescribed medicines from pharmacies outside the hospital and helps ensure the compliance with PhilHealth's No Balance Billing (NBB) Policy. Finally, as stipulated in the MOA, the 70% share of the PLGU can only be utilized exclusively for Hospital Maintenance and Other Operating Expenses (MOOE), Capital Outlay Augmentation, Hospital Resource Capability/Capacity Development and Continuing Employees

Education as well as other related activities. MFI's 30% share on the other hand is plowed back to the operation as additional working capital that ensures the sustainability and later, expansion of the project.

On Adoption of a Faster (Emergency) Procurement System Through Our Private Partner . Through our private partner (MFI) which obtains the needed drugs, medicines and supplies for the HPSiS and dispenses such to the patients of the SCPH, a much faster procurement system is put in place without violating the provisions of the Government Procurement Reform Act (RA 9184). As a non-stock, non-profit and non-governmental organization, the MFI need not abide with the prescribed schedule and procedures of the public procurement process thereby avoiding unnecessary delays. Because of the partnership established by MFI with NPF, FDA and DOH, supplies of quality and essential drugs and medicines can be acquired without the tedious process flow. On the other hand, through the Memorandum of Agreement (MOA) between MFI and the PLGU, the PLGU is also allowed to directly order drugs and medicines without going through the usual bidding process. Through such arrangement, adequate and continuous supply of affordable and quality drugs and medicines is ensured.

On Complementarity of iHOMIS and POS Systems in the Health Plus Shop in a Shop (HPSiS) to Improve Financial Management and Inventory System. By pegging the Integrated Hospital Operations and Management Information System (iHOMIS) with that of the Point of Sale (POS) System, timely, relevant and reliable information is collected, processed, stored and shared among key stakeholders increasing operational efficiency. The complementarity of the systems is especially useful in terms of the identification of drugs and medicines demand, quantity of available supplies and serves as a fundamental input to procurement plans. Through these systems, a much faster exchange of information is facilitated and both the HPSiS and the SCPH pharmacy can advise patients where to obtain particular drugs, medicines and supplies. Overall, it enhances transparency, efficiency in financial management and inventory of the two (2) pharmacies leading to higher service quality.

TRANSFERABILITY AND SUSTAINABILITY

The Friendly Drugs: Health Plus Shop in a Shop Project was formally established and strengthened through a Memorandum of Agreement between the Mahintana Foundation, Inc. and the Provincial Government of South Cotabato on the 26th day of November, 2008, in Polomolok, South Cotabato.

From the initial preparation stages of forming partnerships with key stakeholders, adequate documentation of the process, document requirements and procedures were done in order to ensure the replicability of the project to other areas.

As a safeguard to the sustainability of the project, a Manual of Operation, jointly formulated by the NPF and MFI with the assistance of Southern Leyte Provincial

Hospital, was used to guide the initial stages of HPSiS operation. The Memorandum of Agreement (MOA) served as the primary reference which detailed the responsibilities and functions of each contracting parties relative to the identified goals and objectives.

Aside from ensuring the steady supply of safe, quality and affordable health products which would cultivate patronization of SCPH patients, MFI also provides technical and marketing support. The HPSiS is manned and managed by MFI-recruited/selected personnel and includes the management of financial records that ensures transparency and integrity of the social enterprise as their task. The Point of Sale (POS) System was also installed to hasten inventory procedures and help in the fastidious determination of needed drugs and medicines based on demand and availability of supplies.

To guarantee the transparency and sustainability of the partnership and make sure that all of the agreements contained in the memorandum are observed, the Provincial Management Committee (PMC) and the Hospital Management Committee (HMC) were created. The two (2) committees are responsible for the monitoring and evaluation of the operation and finances of the pharmacy and these indicators are updated and fed to the Provincial Governor on a regular basis.

The financial performance of the Friendly Drugs Project is testament to its sustainability as a social enterprise – the pharmacy itself is self-sufficient from its profit with the monetary and other operating expenses as well as salaries of employees taken from its own revenues. By virtue of its positive impact in improving hospital performances, providing access to affordable and quality medicines to the poor and for being a self-sustaining social enterprise, the Friendly Drugs Project has already been replicated in two (2) other hospitals within the Province of South Cotabato.

With the funding and support from the Australian Assistance for International Development – Philippine Australia Community Assistance Program (AusAID-PACAP) and in partnership with the National Pharmaceutical Foundation (NPF) and the Department of Health (DOH), the HPSiS was launched in Norala District Hospital (NDH) last September 2, 2011 and in Polomolok Municipal Hospital (PMH) last May 6, 2013. • To date, the HPSiS in NDH has catered to 9,917 while the HPSiS in PMH has catered to 2,366 patients.

Both HPSiS at present are fully functional in catering to the needs of patients for affordable and quality drugs, medicines and supplies and also continues to augment additional financial resources to the hospitals in which they are situated. The successful implementation of Health Plus in the Province of South Cotabato has been the basis of the LGU-General Santos City and the LGU-Sarangani Province to replicate the program in their respective city/province in year 2014.

IV. Project Result/Impact

Various positive results have brought great impact to the beneficiaries of this project.

Generally, with this program, more and more patients gained access to quality and affordable drugs and medicines and the mortality rate of the hospital remarkably increased achieving a not less than 85% Patient Recovery rate. Notably, it has also significantly reduced the out-of-pocket spending of the poor patients of SCPH.

Likewise, HPSiS helps rationalize the prices of drugs and medicines of private-owned pharmacies within the vicinity of the hospital. Further, HPSiS contributes to the popularization and implementation of the Generics Law.

Finally, using the approved profit sharing scheme (70% to SCPH, 30% to MFI), HPSiS provides an avenue to the SCPH to upgrade its facilities and comply with the requirements of hospital licensing agencies through procurement of facilities, materials and other equipment.

More specifically, the following are among the detailed benefits and positive results yielded by this project:

A. Socio-economic

A1. Access to and delivery of affordable and quality health care services to the poorest and the marginalized sector

Objectives:

- To improve access of the poor & PHIC patients & outpatients to affordable and quality drugs
- To reduce out-of pocket health care expenses of indigents
- To enroll indigent patients to PHIC Sponsored Program for them to avail the NBB policy

Outputs:

- Since the program started in 2009 at SCPH, it has catered to 132,345 indigent patients wherein 85,597 are PHIC cardholders
- Hospital out-of-pocket expenses of SCPH patients are reduced by an estimated 66%
- Continuous supply of essential drugs, medicines, and medical supplies due to speedy procurement process

Outcomes:

- 18,791 non-PHIC cardholder patients were enrolled in PHIC-Indigency Sponsored Program of the province from 2012-2014 and 2,935 patients to PHIC Point-ofCare program from March to December, 2014
- 74.97% increase in PHIC cardholder patients served

Impacts:

- Increased life expectancy of the patients
- Achievement of the Universal Health Care for all Filipinos under RA 10606
- Contributed to the achievement of IPHO vital health indicator targets
- Inculcated the value and importance of PHIC membership of indigents

A.2. On Compliance with different health laws enacted by the national government (RA 6675, RA 9502, and AO No. 2008-01)**Objective:**

- To promote generics and cheaper yet quality medicines to the community

Output:

- 99% of doctors at the SCPH prioritize the prescription of generic drugs available at the HPSiS

Outcomes:

- 100% of government doctors at the SCPH compliant of the laws
- 100% of SCPH patients are aware of the available generic drugs and medicines in the market

Impacts:

- Indigent patients are afforded the option to purchase cheaper but also effective drugs
- Changed perception of the buyers that generic medicines have poorer quality than that of the branded ones

B. Finance***B1. Augmentation of hospital funds through the 70-30 Profit sharing Scheme*****Objectives:**

- To augment the SCPH approved budget and become a self-sufficient hospital
- To improve SCPH facilities, equipment and services
- To expand other health programs of the MFI

Outputs:

- Augmented an est. P60 M (from 2009-2014) to the approved budget per year of the SCPH
- Through the 70% rebates, the SCPH was able to procure, construct and renovate hospital facilities
- From the 30% share, the MFI was able to sustain and expand other health programs (i.e. BnBs)

Outcomes:

- Upgrading of facilities aided the SCPH and other district hospitals in providing better medical services to its patients
- Maximized financial resources of the province through PPP

Impacts:

- Improved delivery of hospital services
- Increased satisfaction and comfort of patients
- The MFI successfully carried out its corporate social responsibility.

B2. Transparency and efficiency in fiscal management

Objective:

- To ensure the sustainability of the operation of the HPSiS

Output:

- Computerized inventory system for the proper inventory and dispersal of medicines successfully installed & utilized

Outcomes:

- 100% financial transactions and frequently prescribed medicines fully-monitored
- 100% financial transparency between SCPH and MFI

Impact:

- Self-sustaining and income-generating project (55% increase in net income in 2014 compared to 2012)

V. Annexes (photos; copies of MOUs/MOAs, if any; project proposals, others)

- a. Photos (Pharmacy-Main, HPSis, TWG Meeting, PMC Meeting, Ribbon Cutting, gatherings, etc.)
- b. Photocopy or Scanned Copy of Mahintana and PGSC MOA (updated)
- c. Photocopy or Scanned Copy of Resolution Income Retention

- d. Photocopy or Scanned Copy of Ordinance on 25% Income Retention
- e. Photocopy or Scanned Copy of EO HPSis (updated)
- f. Organizational Structure

Submitted by:



CONRADO M. BRAÑA, JR., MD, MHA, FPCHA, CEO VI
Chief of Hospital II

Approved By:



REYNALDO S. TAMAYO, JR.
Provincial Governor