Research brief

Implementation of medicine pricing policies to improve equitable access to essential medicines: Insights from four medicine pricing policies in Ghana

Key findings

Key systemic problems which led to high medicine prices:

⇒ multiple organizations involved in supply chain
⇒ delayed payments for contracts
⇒ fragmented procurement contracts.

Policy approaches to managing medicine pricing:

⇒ National competitive tendering for essential medicines;
⇒ Standard tender documentation from Public Procurement Authority;
⇒ At least 30% reduction in NHIS medicine prices;
⇒ Absorbing bills from the exempted medicines & manufacturing inputs
⇒ National Medicine Price Committee
⇒ National Health Commodity Supply Agency to coordinate actors in supply chain.

Policies driven by strong political will within a favourable context

⇒ Stakeholders from health, finance, service provision, trade and industry from the public and private sectors are involved in the design and implementation.

I. Introduction

Improving the availability and affordability of essential medicines targeting local diseases is critical to strong health systems and improved health outcomes.

We summarize how and why four medicine pricing policies were designed and implemented in Ghana since 2012.

II. What we did

We analyzed the four policies and reports of the Value Added Tax (VAT) exemption and National Medicine Pricing Committees (NMPC), Health Sector Annual Program of Work (Draft 2020), report on the VAT exemption for local manufacturing, national medicines policy (2017).

Specific questions explored were:

⇒ How was the problem defined and framed, by whom and why?
⇒ Which stakeholders were involved?
⇒ How are the policies situated in broader national policy and legislative environment?
⇒ Which implementation approaches were planned, and how these compare to practice?

III. How the medicine pricing policies were framed

⇒ Health commodity supply chain master plan (HCSCMP) (September 2012) was designed by government to address the myriad of challenges in the supply chain including multiple organizations involved with overlapping tasks and charges and payment delays in the procurement processes all contributing to high medicine prices. The policy sought to streamline the whole procurement systems to reduce medicines prices.

⇒ Framework contracting for high demand medicines (2017) outlines a centralised procurement process which supports bulk purchase and negotiation of medicine prices. This policy is a recommended strategy from the HCSCMP and sought to address increasing prices of medicines due to fragmented procurement contracts for medicines.

⇒ Value Added Tax (VAT) exemptions for essential medicines (2017) reflects Government’s removal of 17.5% VAT component for imported essential medicines to reduce price build up along the supply chain. In return, importers agreed to reduce prices of medicines listed on the National Health Insurance medicines list by a minimum of 30%.

⇒ VAT exemption for active pharmaceutical inputs (API), manufacturing inputs and packaging materials (2012, 2017). Government initiated this policy to remove cost build up due to taxes and ring-fenced specific medicines for local manufacturing. The policy was to develop local pharmaceutical companies capacity and also to reduce medicines prices. The list of API and inputs were revised in 2017.

IV. Stakeholders involved and the broader contexts of policies

Stakeholders from the private and public sectors were involved in the design and implementation of the medicine pricing policies. The four medicine pricing policies were situated in the existing national medicine policy which seeks to improve supply and management of medicines by rationalizing the procurement system and improving medicines manufacturing, distribution and pricing at all levels.
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<td>Policy 4: VAT Exemptions for local manufacturers</td>
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### Evidence used to inform the policies
- Internal and external assessments on Ghana's health sector supply chain, and a strategic review undertaken by USAID in May 2011.
- Evidence of high medicine cost and its implication for NHIS reimbursement and expenditure.

### Actors involved in policy design
- Government & Non-government:
  - Office of the Director Pharmaceutical Service (MOH), Ministry of Health (MOH), Food and Drugs Authority (FDA), Ghana Health Service (GHS), National Health Insurance Authority (NHIA), Chamber of Pharmacy, Pharmaceutical Society of Ghana (PSGH), Council for Pharmacy, WHO, Global Health Supply Chain-Procurement and Supply Management (GHSC-PSM), Chamber of Pharmacy, WHO, Global Health Supply Chain-Procurement and Supply Management (GHSC-PSM).

### Actors involved in policy implementation
- a) National Health Commodity Supply Agency to oversee policy implementation
- b) MOH Pharmaceutical Services to ensure pharmaceutical standards are developed, maintained, and adhered to.
- c) MOH Procurement and Supply Directorate to procure and manage contracts
- d) MOH Human Resources Department to provide training and pre-service education
- e) FDA to ensure overall quality in medicines procurement, provide expert support in procurement, and develop and maintain the new pharmacological services to coordinate and oversee the Chamber of Pharmaceutical Services.
- f) GHS to implement the policy and guide GHS health facilities.
- g) NHIA to ensure the financial sustainability of NHIS
- h) PPA to harmonize the procurement process.

### Actors roles in policy implementation
- a) Chamber of Pharmacy and PSH to maintain the policy.
- b) MOH and MOF to ensure overall quality in medicines procurement and supply.
- c) Chamber of Pharmaceutical Services to coordinate and oversee the pharmacological services to coordinate and oversee the Chamber of Pharmaceutical Services.
- d) Technical Working Group (multisectoral) to provide expert support in procurement, finance, training and pre-service education, and regulatory frameworks.
- e) GHSC-PSM to provide technical support.
- f) The Director of Pharmaceutical Services to coordinate and oversee the policy implementation.
- g) Chamber of Pharmacy to compile and submit the new price list reflecting the ‘at least’ 30% reduction.
- h) MOH and MOF to develop a list of selected imported pharmaceutical products not manufactured in Ghana for exemption from VAT.

### Evidence used to inform the policies
- Internal and external assessments on Ghana's health sector supply chain, and a strategic review undertaken by USAID in May 2011.
- Evidence of high medicine cost and its implication for NHIS reimbursement and expenditure.

### Thematic area
- Summary analysis of four medicines pricing policies
The image contains a flowchart outlining approaches taken to implement four policies. The policies are:

1. **Health Commodity Supply Chain Master Plan**
   - Set up a National Health Commodity Supply Agency
   - Constitute an evaluation team
   - Set up a National Medicines Price Committee
   - Implement a comprehensive information system
   - Use National Competitive Tendering to procure essential medicines

2. **VAT Exemptions for Selected Imported Medicines**
   - Appropriate VAT exemption
   - Determine the time horizon for obtaining VAT exemption
   - Gather information on cost build-up on medicines
   - Plan to assess the impact of the 30% reduction on NHIA medicines prices
   - Plan to implement the 'at least' 30% reduction in NHIS medicine prices
   - Determine the turnaround period for obtaining approval for VAT exemption

3. **VAT Exemptions for Local Manufacturers**
   - Plan to implement the 30% reduction on NHIA medicines prices
   - Determine the turnaround period for obtaining approval for VAT exemption
   - Plan to assess the impact of the 30% reduction on NHIS medicine prices
   - Determine the turnaround period for obtaining approval for VAT exemption

4. **Regulate prices**
   - Plan to assess the impact of the 30% reduction on NHIA medicines prices
   - Determine the turnaround period for obtaining approval for VAT exemption
   - Plan to assess the impact of the 30% reduction on NHIS medicine prices
   - Determine the turnaround period for obtaining approval for VAT exemption

The diagram also includes a section titled "Health Commodities Supply Chain Master Plan" with key points such as increased use of framework contracts, streamlined and reviewed mark-up policies, and direct implementation of direct delivery of health commodities on a national scale.
VI. Conclusions

Overall, the four policies benefited from good stakeholder participation from the start, including collaboration with international organisations and the technical and administrative capacity of the Pharmacy Directorate of the Ministry of Health. The active role and contributions of the private sector such as the Chamber of Pharmacy also contributed to the implementation of this policy.

Different assessments of medicines prices and supply chain informed all four policies, some undertaken by international organisations.

Complementary approaches were used in implementing the four policies. Policies were driven by strong political will and implemented within a favourable institutional environment contributing to fast implementation.


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