



The Tanzanian Private Health Sector as Buyer and User of Medicines and Other Supplies

REPOA Policy Dialogue Workshop,
Research project on Industrial Productivity
and Health System Performance

27th June 2013

Who are the private sector?

- Faith based hospitals, dispensary (religious)
- Private hospitals and dispensaries
- ADDOs(Accredited Drug Dispensing Outlets)- licensed outlets to sell a set list of essential medicines, including selected prescription drugs
- Pharmacies and drug shops

The private sector supply chains: overview

- Sharp contrast with the public sector supply chain
- Many importers, wholesalers and distributors
- High levels of wholesale competition especially on price
- Relationships between individual health facilities and particular wholesalers tied by credit, transport and reputation
- Lack of confidence in quality on market especially of medicines
- Price fluctuations and financial constraints faced by private facilities and shops
- Some lack of capacity to supply particular items and shortages

The private and FBO sectors rely for medicines, and for medical and laboratory supplies and equipment and basic commodities, mainly on private wholesalers

- Private facilities and shops bought 97% of their medicines privately.
- In FBO facilities, 16% of tracer medicines were sourced from the public sector, 83% from private wholesalers.
- Donations of medicines were negligible for FBO facilities (2%) and non-existent for private facilities
- Private sector purchased 87% of other supplies in the private markets, 7% from MSD (public sector) and 6% from donation
- In the FBO sector, 61% of items were from private wholesalers, 20% from the public sector and 19% donated

Private facilities and shops interviewed each sourced medicines from one or very few wholesalers

- In each district, a few pharmacies accounted for the bulk of the supplies to the facilities and shops interviewed.
- In Ilala, about 75% of the tracer medicines found were sourced at three pharmacies in roughly equal proportions: Bahari, Bariki and Continental Pharmacies .
- In Mkuranga, Rhode (54%) and Planet (28%) pharmacies were the dominant sources of medicines for the non-government facilities and shops interviewed.
- In Meru and Monduli (in Arusha region), 41% of the tracer medicines found in non-government facilities and shops interviewed had been bought at General Pharmacy, and another 11% each at Abacus Pharmacy and MacMedics, all in Arusha.

Sources of equipment, medical supplies and other essentials only a little more diverse

- In **Ilala and Mkuranga** together, four suppliers each provided over 10% of the items whose wholesale origin was identified: Anutha (14%), Grants (13%), Continental (12%) and Rhodes (11%); together they supplied over 50% of the items traced.
- Another 10% were sourced from general retail (items such as brooms, mops, disinfectant).
- In **Meru and Monduli** together, the largest supplier for the traced items was General Pharmacy in Arusha (27%).
- Abacus Pharmacy (15%) and MacMedics (11%) were also large suppliers, and together these three again supplied over 50% of the traced items.
- General retail again supplied around 10%.

The FBO and even the private sector relied on donations for a substantial percentage of medical equipment, and some other supplies

- 37% of the medical equipment had been donated in FBO sector, while 17% in the private hospitals and dispensary
- 7% of the laboratory supplies were donated in FBO sector , 11% in the private sector
- 8% of other supplies such as bed sheets, bed nets and mackintoshes had been donated in FBO sectors, 3% in the private sector.

The private sector generally had a good stock of the most widely used essential medicines

The most common medicines that private, FBO/NGO facilities, pharmacies, ADDO and drug shops purchased were :

- The basic pain killers/ anti-inflammatories (paracetamol, diclofenac)
- The basic anti-malarials (ALu, and SP);
- The basic antibiotics also anti-fungals (metronidazole, fluconazole);
- The medicines for anti-worm (mebendazole), anti-ulcer (omeprazole), skin cream (clotrimazole) and rehydration (IV).

The chronic illness medicines were less widely stocked

Percentages of FBO and private facilities and shops interviewed stocking each item

Use of medicine	Private/FBO facilities	Pharmacies/ shops	Total
Anti-pain	100	100	100
For skin	86	100	92
Anti-ulcer	79	90	83
Anti-malarial	88	67	79
Anti-fungal	86	65	77
Deworming	64	90	75
IV fluids	86	50	71
Antibiotic	74	42	61
Anti-diarrhoea	57	30	46
For diabetes	29	35	44
Anti-haemorrhage	57	20	42
Anti-hypertension	57	50	31
Anti-depressant	21	0	13
ARVs for HIV	21	0	13
Total	70	52	62

Private and FBO facilities had good stocks of equipment and supplies, except laboratory supplies. Shops stocked mainly medical and other basic supplies.

Percentages stocking each type of item

Item type	Private and FBO facilities	Pharmacies, ADDOs and shops	Total
Medical equipment	81	3	49
Medical supplies	80	83	81
Other supplies	90	13	58
Laboratory supplies	47	1	28

Why do facilities and shops build up long-term relationships with one supplier

- **A long term relationship ensures priority if stocks are low**

“We have a good relationship with them, there are cases when they are left with small stock, fortunately they give us priority when we go to purchase, due to a good relationship we have established with them. Such pharmacies have all varieties of supplies manufactured from different countries. Customers have a wide range of choices. So we are sure of getting what we need from them.” [Trained nurse, Private dispensary, Ilala]

Close location and long term relationship offering advice, support and price flexibility:

- “We prefer Surgicare Ltd as our main supplier of medical equipment because of convenient location for us Adequate number of varieties of medical equipment. After purchase of medical equipment Surgicare Ltd provide us with advice on how to store and use medical equipment. Good customer care, negotiable prices and they provide us with promotional materials (e.g., T-shirts, note books, pens, banners. ” [Clinical officer, Faith-based dispensary, Ilala]

Reliability is key, especially reliable quality for medicines

“We choose these suppliers because they are reliable. Others are not reliable – each time you go, some of the medicines you want are out of stock. We also realized that when we buy from other pharmacies, when inspectors come for quality checks they tell us that some drugs are of poor quality. We have faith in the medicines supplied by the two pharmacies we buy from.” [Medical officer in charge, private health centre, Meru]

Price competitiveness associated with a good product range

“General Pharmacy sells commodities at cheaper prices than other suppliers. It is also accessible; everyone can reach the pharmacy. Service provided is good because someone will be sure to find all the products that s/he needs. Moreover, General Pharmacy supplies commodities to other wholesalers too. For instance HEKO Pharmacy purchase supplies from General, and then sell to us (retail pharmacy). In this case, you will agree with me that General Pharmacy is the best place to purchase commodities. If other wholesalers make purchase at General, why not us?” [Nurse, ADDO, Meru]

Good prices and transport support and reliable quality

“The main reason is the price. Heko pharmacy has the most reasonable prices compared to those two other pharmacies I have mentioned. On top of that, there are some privileges or forms of motivations that Heko provides when you buy drugs of at least 100,000/= Tshs. If the drugs are bulky, they can offer you transport (taxi) to the bus stand. On other purchases, they do give things like calendars, small note-pads and other small things. I also believe Heko does not sell fake drugs.” [Medical officer in charge, Private dispensary, Meru]

Credit from supplier as a key reason for choice, with other benefits

“....I chose Rhode Pharmacy over the others because I can be given a drug stock even when I do not have cash at hand. I find it worth buying all my needs from them. I am trusted and I rely on them when things go wrong. Secondly, if I go to buy a large stock worth between 3 to 5 million/= at Rhode, I can get a discount of about 100,000/=. I am used to them and the medicines are the same all around but their prices are lower on so many drugs compared to other pharmacies. Even though the difference is small, but it’s a difference end of the day. “
[Nurse Assistant, ADDO, Mkuranga]

Private and FBO facilities face challenges in buying on the private market

Fluctuation of Prices

“....another challenge is fluctuation of prices. It is a free market so everyone has the right to set and change the prices anytime he wishes to do so. For instance, you will never find a medicine that last in a week with a constant price. This change affects us to run the business because sometimes it forces us to increase the sale price to customers, whom in many cases don't have money. If I keep prices fluctuating, I may lose customers as they go to other pharmacies. There are almost seven pharmacies around this place, and each of us sets his own price. Competition is very high. Sometimes I am forced to sell at a loss in order to keep my customers.” [Assistant Medical Officer, ADDO, Meru]

Shortages also occur in the private sector supply chains

Scarcity of certain supplies

“Sometimes the suppliers fail to meet the order of our dispensary for things like beds, machines. In such situation we buy from retail shops. Other equipment is not easily found especially machines and reagents. Worse still is when we have reagents that are not available anymore. To address this we have to buy an alternative reagent that is available. “[Nursing in charge, Faith –based dispensary, Monduli]

.. as do delays

Delays getting supplies

“The order can take so long without being attended to sometimes because of many customers to the company/ agent. And this is because some products are highly demanded and the agent is only one. For example there are some painkillers, anti-malarials or medicines for skin diseases that are very much in demand : paracetamol from Kenya – blisters;candistat – cotrimazole cream tubes” [Director, Pharmacy, Ilala]

..and supply mistakes

Getting stock that was not ordered

“Medical supplies received sometimes have a very short shelf life, and at times, you can order for a certain product from a specific manufacturer and are supplied with a product from a different manufacturer and when you ask the supplier to take the products back, they will start negotiating with you and convince you to take it and even offer a much lower price. But this becomes another challenge since I will have to also convince my customers to buy the same. “[Director, Pharmacy, Ilala]

Good relationships can solve demand side logistics problems

Transportation constraint

“...In the course of transporting the supplies from one point to another, sometimes conditions of transport are unfavourable, a situation that can make them expire before their expiry date or give false laboratory results in testing. This is a big challenge due to poor infrastructure, especially the car that we use and the long distance to our health facility. ” [Nursing in-charge, Faith –based Dispensary, Monduli]

...and reduce damage

Transportation constraint

“The challenges are with the transporting the drugs by public buses. Medicines get destroyed, for instance, ampoules and glass-bottles do break, other syrups pour and tablets packed in boxes get damaged by oils. Sometimes the buses arrive late than expected and go away with the parcel and sometimes, they can pack for you drugs that have a short shelf-life and returning such drugs is not easy.”

[Clinical Officer, Private Dispensary, Monduli]

Issues for the private sector supply chain from these findings

- The private sector supply chain is quite fragmented at the wholesale level
- Individual wholesalers develop close relationships with facilities and shops

Questions

- Could the private sector buy more medicines from local manufacturers?
- Could the private sector source more other supplies from local manufacturers?
- Could private wholesalers provide incentives for local manufacturers to upgrade and expand their product range?
- Can local manufacturers distribute more effectively to the private sector?