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Economic burden of local purchase of drugs in a developing Country, Sri Lanka**Anver Hamdani**

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Drugs are the major component of medical supplies which consume a huge amount of recurrent fund of the Ministry of Health (MoH) budget every year. Medical Supplies Division (MSD) in MoH is responsible for the supply of drugs to public sector health institutions. Often acute shortage of drugs is encountered at all levels of healthcare services. MSD has the authority to purchase a drug locally to ensure continuous supply of essential and lifesaving drugs, by calling for tenders locally known as “Local Purchase”. If health institutions do local purchase, prior approval from the MSD has to be obtained. Although it temporarily solves the acute crisis it leads to higher costs. A descriptive analytical study at National Hospital Sri Lanka (NHSL) apical center of care in the country was carried out to analyse the reasons for local purchase, quantity and financial liability. NHSL has spent Rs 34 million to purchase medical supplies during October-December 2018. Seventy five percent of that was spent on medicines. Fifty eight percent of the local purchases made during the quarter were for seven items where some of them were purchased in all three months. An effective hospital or health system-controlled diversion prevention program should contain several actions at central and institutional level to minimize local purchases. A streamlined central level poses a paramount importance in minimizing the local purchase at institutional level. At institutional level processes need to be improved to forecast accurate drug requirement for next year and to rationalize drug usage at institutional level.