ABSTRACT. The purpose of the study is to find the most effective model for public procurement of medicines (M) and medical devices (MD) in Ukraine. The objectives of the study are: the analysis of legislation developed for public procurement of M and MD in Ukraine; the historic study of public procurement of M and MD in Ukraine; the development of relationship between public procurement of M and MD with the state budget and state programs; the determination of advantages and disadvantages of centralized and decentralized procurement of M and MD; argumentation of my choice of the model for public procurement of M and MD in Ukraine. The study found that the purchase of M and MD in Ukraine is carried out in a centralized and a decentralized manner. The centralized approach to procurement of M and MD dominates with respect to the decentralized approach. This can be explained by the history of the country, as the part of former Soviet Union. Centralized and decentralized approaches to public procurement of M and MD have both disadvantages and advantages. The best option for the country will be a combination of centralized and decentralized approach to procurement of M and MD.

Keywords: procurement of medicines, procurement of medical devices, Ukraine, public procurement.

Introduction

Today, Ukraine is actively searching for a new model of public procurement of M and MD. According to the Article 49 of the Constitution of Ukraine, health care services are free of charge at the state and municipal health care institutions.

Effectiveness and accessibility of health care services for citizens, such as getting free medical care, depend directly on the level of M and MD provided to the publicly owned health care institutions. This provision is achieved through the procurement of M and MD in centralized and decentralized manner according to the institutions’ needs.

Mainly, M and MD are procured centrally. Expenses for procurement of M and MD are anticipated from the State Budget annually.

Decentralized procurement of M and MD in Ukraine is carried out much less and funded with restricted financial resources.

Significant changes have taken place in Ukraine over the past few months, including a change of government and the appointment of a new government. It led to a change in the course of economic and administrative reforms in the country.

In particular, the Government adopted the Concept of reforming local government and territorial organization of power in Ukraine approved by the Cabinet of Ministers of Ukraine on April 1, 2014 № 333-r. It showed a decentralized approach to the organization of the public life, including procurement of M and MD.

The issue of centralization and decentralization of public procurement in Ukraine, especially in the field of procurement of M and MD, has not been widely investigated by researchers.

This is the relevance of the research dedicated to the mechanism of public procurement of M and MD. The chosen model of public procurement of M and MD influences the effectiveness and availability of free health care services to population.

Results

Purchases of M and MD in Ukraine for the needs of the state and the local community are made under the Law of Ukraine “Public Procurement”.
In practice, Ukraine combines elements of centralization and decentralization in the public procurement system. However, the prevailing centralized approach to procurement of M and MD is observed. This is due to the centralized funding of the health care sector in Ukraine.

Under the Article 49 of the Constitution of Ukraine, health care services are provided through the state funding of relevant social and economic, health and health-care programs.

The State creates conditions for effective and accessible health care sector to all citizens. The state and municipal health care services are free of charge.

Therefore, the absolute provision of the population of Ukraine with M and MD depends directly on the amount of funds provided by the state and local budgets for their purchase.

Centralized procurement of M and MD is conducted by the Ministry of Health of Ukraine and aimed at the implementation of national target programs and integrated programmatic activities that can provide treatment in the most important areas of social diseases throughout the country.

At the local level, procurement of M and MD is conducted by local authorities and legal persons (companies, institutions, and organizations) and their associations that address the needs of the local community and meet the requirements of customers as stipulated in Article 1 of the Law of Ukraine “Public procurement”.

The organization of public procurement in Ukraine has been developed simultaneously with the development of market relations.

In the early years of independence of Ukraine (1991-1992 years), there were only state orders for M and MD. The state retains a centralized approach to government ordering of products and its distribution among regions.

During 1993-1994, the population was supplied with M and MD through the instrument of public procurement and contract, and in 1995 - only through the state contract.

Since 1993, the central government allocation of M and MD was not used, and the production and distribution of M and MD were controlled by a central government during 1993-1994.

From 1993 to 1997 M and MD of foreign origin were purchased for public use on a competitive basis.

Then the country appeared to be in a paradoxical situation. Domestically, the government followed a centralized approach to the allocation of public order; however, in the foreign market it applied the international trade practice of placing public contracts only on a competitive basis.

In late 1997, the state has chosen to create a single system for the procurement of goods, works and services financed from the state budget and foreign loans.

During this period, a series of legal acts that determine the overall public procurement procedures was issued in Ukraine.

As of today, the purchase of goods, the cost of which equals or exceeds 100,000 UAH is made in accordance with the Law of Ukraine “Public Procurement”.

Since 2002, Ukraine has introduced a program-based method in the budget process. Its goal was to establish a direct connection between the allocation of budget funds and the results of their use.

M and MD are procured by the state and local governments to implement state and local governmental programs.


The measures identified in the program to perform the tasks of healthcare policy are contained in the budget program under which expenditures are made from the state budget.

Buying M and MD consists of separate interconnected stages, namely:

- Approval of the budget (programs, plan for the use of public funds) and the annual procurement plan;
- Approval of the range of M and MD;
- Collections of applications from regional healthcare institutions in M and MD;
- Development and approval of the annual procurement plan;
- Approval of the information on technical, qualitative and quantitative specifics of M and MD;
Selecting the procurement procedure;
- Determination of the winner of the procurement procedure and the acceptance of tender proposals;
- Establishment of the contract;
- Execution of procurement contract and control over its implementation.

In Ukraine, a centralized approach to procurement of M and MD dominates over decentralized.

Procurement of M and MD at the national level is made by the Ministry of Health of Ukraine according to the budget program 2301400 KPKVK “Provision of health measures of individual state programs and integrated program activities”.

Large purchases of M and MD are made by the Ministry in a centralized manner providing an opportunity to realize significant reductions in the price of. In addition, within a centralized system of public procurement, it is easier to manage human resources. Staff training is much easier made because many employees are centrally located. Increased professionalism of specialists working in the establishment of the Ministry of Health reduces chances of errors undermining the results of the auction. Finally, a centralized purchasing system for M and MD provides a transparent process of bidding, proper recording and reporting of the results of the procurement, effective management controls and audit trail open to public scrutiny.

At the same time, the disadvantage of centralized procurement of M and MD is that this system encourages corruption because it can involve protectionism or favoritism on a large scale. Another argument against centralized procurement is that it can lead in some cases to purchasing unnecessary M and MD. It is impossible to take into account the specific and individual requirements of the end user.

In addition, every year in the country, underfunding of health care from the state budget is observed. So, the National Program of Immunization and Protection against Infectious Diseases for 2009 - 2015 adopted by the Law of Ukraine of 21.10.2009 № 1645 -VI provides funding for the purchase of immunobiological products included in the immunization schedule in 2014 in the amount of 517 402 thousand Ukrainian grivnas, and the budget program 2301400 KPKVK “Provision of health measures of individual state programs and integrated program measures”, by which actual expenditures are made on health care programs, provides centralized immunization funds in the amount of 303 035.5 Ukrainian grivnas. Thus, the actual financing of immunization programs for 2014 is lower by 214 366.6 Ukrainian grivnas than necessary.

A similar underfunding of the health sector is observed according to other national programs.

This causes a disturbance of the public and the state has set new targets to create the most optimal and perfect model of public procurement of M and MD.

Significant changes have taken place in Ukraine over the past few months including a change of government; and the appointment of a new government led to a change in the course of economic and administrative reforms in the country. The government adopted the Concept of Local Government proving decentralized approach to the organization of social life and including the decentralization of procurement of M and MD.

Is it possible and advisable at the present time for Ukraine to complete decentralization of procurement of M and MD?

Analysis of legal acts of Ukraine and the country's past as the former Soviet Union country shows that the centralized approach to public procurement of M and MD has many positive aspects, as mentioned above.

At the same time, decentralized procurement of M and MD is also carried out in the country, but on a much smaller scale. The advantages of decentralized procurement of M and MD include reducing incentives for corruption; better matching of M and MD to the needs of patients; reducing opportunities for mistakes affecting large procurements and leading to excessive costs and residual M and MD.

In our opinion, the system which will combine elements of centralization and decentralization of procurement of M and MD will operate at the appropriate level in Ukraine.

However, the effective operations of these systems depend on efficient implementation of government reforms in the country.

Discussion

Thus, the purchase of M and MD in Ukraine to meet the needs of the state and the local community is made under the Law of Ukraine "Public Procurement" in the centralized and decentralized manner.

Mainly, procurement of M and MD is carried out centrally by the Ministry of Healthcare of Ukraine. This approach to public procurement is caused by historical past of the country and program budgeting in the budget process.
In a much smaller scale, purchase of M and MD is conducted in a decentralized manner by local governments and entities that meet the requirements of the Law of Ukraine “Public Procurement”. This approach to public procurement is underdeveloped in the country.

The study found that both centralized and decentralized approaches to public procurement have their advantages and disadvantages.

However, the choice of only decentralized approach to procurement of M and MD does not give the desired results of purchasing M and MD at low prices. At the same time, this approach is more specific and takes into account the individual features of the object of purchase in accordance with the needs of patients from a particular region.

Most appropriate choice for Ukraine would be a combination of centralized and decentralized approach to procurement of M and MD.

However, procurement of M and MD for the treatment of the most common and progressive diseases among population in the country is carried out in a centralized manner; however, other procurements of goods are handled in a decentralized manner.

References