TACKLING CORRUPTION IN HEALTHCARE PROCUREMENT

An introduction to open contracting

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OVERVIEW

• Corruption in context: healthcare procurement

• Open contracting: definition, key approaches, benefits

• Case Study - Ukraine
PROCUREMENT CORRUPTION

• Procurement is no.1 corruption risk area according to OECD, European Commission, UNODC and World Economic Forum.

• 57% of OECD bribery cases were related to procurement.

• Govts spend 30-50% of all their money buying goods and services. Or around 15% of GDP.
HEALTHCARE CORRUPTION

• A well documented problem.

• Healthcare has joint-most settlements in US foreign bribery cases – tied with natural resources(!) since 2008.

• Vulnerabilities in pharmaceuticals, medical equipment and infrastructure.
Jerry Fang: China authorities investigating bribery in vaccine scandal

By Jianwei (Jerry) Fang | Thursday, May 26, 2016 at 10:28AM

In early 2016, a vaccine scandal shocked China as millions of improperly stored vaccines were widely distributed and used.

The affected vaccines had a total market value of RMB 570 million ($88 million).

Right after the vaccine scandal, Chinese authorities began to investigate and arrest many suspects.

On May 20, 2016, the Supreme People’s Procuratorate (SPP) announced that the local procuratorates (prosecutors) in various provinces had approved the arrests of 125 suspects involved in the scandal.
Boss at heart of Romanian scandal over diluted disinfectant dies in car crash

Pharma boss killed and health minister resigns after products used for years on hospital wards were hugely watered down.

Romanians have been left appalled by a multimillion-euro medical fraud scandal – in which a big pharmaceutical company allegedly watered down disinfectants for use on hospital wards for years. Hundreds of people may have been infected as a result.

Public protests have broken out in several towns and the health minister quit after lab tests showed about 10 products supplied to more than 150 hospitals had been diluted, in some cases rendering them useless.

The head of the pharma company in the line of fire died in a car crash this week. Suicide or foul play have not been ruled out.
Hungary: OCCRP Partner Investigation Sparks Police Probe

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Police in Hungary have launched a criminal inquiry into revelations that a consortium falsified public procurement documents in the construction of a Budapest health clinic, following an investigation by OCCRP partner Direkt36.

The October investigation by Direkt36 uncovered how the consortium led by the company EU-Line had falsely claimed to have done similar construction work when they bid for the 1 billion forint (US$ 3.4 million) contract in the Hungarian capital’s Jozsefvaros district. The contract was awarded in January 2015.

Istvan Tenyi, a citizen activist known for peppering authorities with criminal complaints based on news reports, contacted police after reading Direkt36’s report.
CORRUPTION AND WASTE

• Hard to differentiate between corruption and wastage.

• WHO concluded that 20-40% of healthcare spending does little to improve health outcomes. Half of ten leading causes are fully or partially procurement related.

• The incentives for healthcare professionals to improve procurement are massive.
WHAT IS OPEN CONTRACTING?

• To improve procurement outcomes you need a wider group of stakeholders to participate.

• To facilitate participation, governments have to make “timely, accessible and useful” information available to these stakeholders.

• To achieve accountability, governments must take appropriate action in response to participation.
WHO PARTICIPATES AND WHY?

• Civil Society

• Business

• To foster participation, transparency must be demand-led.
WHAT ARE THE BENEFITS?

• Combating corruption

• Better monitoring of service delivery

• Improving the business environment

• Achieving value for money
COMBATING CORRUPTION

• Analyse who is buying what, from whom and at what price, as well as providing information about unsuccessful bids and bidders.

• Data can reveal patterns and anomalies, which might indicate over-pricing and kickbacks or collusion between competitors.

• Use data to bar watch-listed companies or individuals from competing.
MONITORING SERVICE DELIVERY

• Transparency catalyses participation of non-government stakeholders.

• Journalists, academics, CSOs have different mandates and research methods to monitor government performance.

• A wider circle of policymakers and businesses can also scrutinise activity.
IMPROVED BUSINESS ENVIRONMENT

• Open contracting data creates market intelligence.

• Companies can identify and access more opportunities to bid for tenders and enter new markets.

• Tendering procedures are streamlined and save time for both sides.
ACHIEVING VALUE FOR MONEY

• Better oversight and healthier markets reduce corruption and drive efficiencies.

• Government must take close feedback loops by taking appropriate action. Accountability drives real VfM.

• Decentralised organisations, like hospitals, can identify best practice from peer organisations.
KEY APPROACHES

Data-driven oversight:

• E-procurement
• Open Contracting Data Standard
• Red Flags monitors

Direct participation in governance:

• Integrity Pacts
• Outsourcing to international organisations
E-PROCUREMENT

• Captures data about procurement processes that provide macro-level oversight.

• Transparency and quality of data is variable and often inadequate.

• Supply side focus: the captured data does not meet the needs of stakeholders.
OPEN CONTRACTING DATA STANDARD

• OCDS is an international norm that proscribes publication of “timely, accessible and useful” data about the whole procurement cycle.

• It emphasises the importance of data-demand and continuous stakeholder engagement.

• Includes technical schema to help governments with implementation.
RED FLAGS MONITORS

• Use existing e-procurement data to algorithmically detect corruption risk.

• Variables such as number of bidders, publication of key documents, type of procurement award are monitored. When compliance is unmet, a Red Flag is created.

• ‘Red Flags’ are notifications for stakeholders to conduct further investigation.
INTEGRITY PACTS

• Mutual commitments between public and commercial contracting parties to refrain from corruption and guarantee transparency.

• Independent monitors (usually civil society) appointed to oversee key procedures and provide assurance.

• Emphasis on richer engagement and participation in individual, often high value, procurements.
OUTSOURCING TO INTERNATIONAL ORGANISATIONS

• Political executives outsource some or all of a department’s procurement function to international specialists.

• To combat systemically corrupt or incompetent bureaucracies.

• Sometimes can include private sector participation.
UKRAINE

In Ukraine, competitive markets drove better value for money. We look at:

• Systemic corruption in pharma procurement
• The Revolution of Dignity
• Introducing the OCDS; distributing responsibility
• Competition drove value for money
• Introducing Red Flags monitors
• Outsourcing to International Organisations
RECAP

• Corruption in healthcare procurement is a significant problem that damages health at a global level.

• Open contracting fosters participation to improve procurement in four contingent ways.

• There are two general approaches: data driven macro-oversight and direct participation in governance.
LESSONS LEARNED

The case studies in Ukraine, Nigeria and Honduras show us that:

- Open contracting is low-hanging fruit for governments
- The political will of newly appointed reformers is crucial
- Participation, not technology, is the key to success.