

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Stores-Medical -supply of Medicine/Drugs on the Rate contract basis Revised purchase policy-orders-issued.

HEALTH MEDICAL & FAMILY WELFARE (M1) DEPARTMENT

G.O.Ms.NO.277.

Dated the 12th May,1993.

Read the following:-

G.O.Rt.No.735, HM&FW(M1) Dept., Dated 18-5-1992.

ORDER.

1. Government has been making efforts to streamline the rate contracting and purchase procedure for Drugs and therapeutics so that Medical and health institutions get smooth supply of medicines. A committee was constituted in 1988 to study the drugs purchase policy vide G.O.Ms.No.393, HM&FW(C1) Dept., dated 6-9-1988. The Andhra Pradesh Vaidya Vidhana Parishad has introduced some innovations into its rate contracting procedure which have been generally found very positive. A 22 member committee consisting of representatives from vigilance and Enforcement Department, commissionerate of industries, Directorate of Drugs control Administration, Secretariat Department of Health and finance along with the Heads of Departments and other technical persons was constituted in the G.O. read above. This committee considered the procedure adopted by the Andhra Pradesh Vaidya Vidhana Parishad and the common findings of the vigilance Department and have proposed draft terms and conditions for finalising of rate contract.

2. The rate contracting and Drug purchase procedure of the Government is linked to many important issues. First, is the need for maintaining absolute quality of drugs . in the past there have been instances of substandard drugs and therapeutics having been supplied to Governmental institutions. This required that Government purchases drugs from firms who adopt good manufacturing practices and also follow ethical business practices. on the other hand the Government would like to encourage local drug industry, particularly in the small scale sector. while the requirement of quality and standards is quite compatible with small and upcoming firms were not able to resist the temptation of compromising on quality control. Another issue is the list of drugs to be usually provided by Government Hospitals. Right from the beginning government hospitals have been making available a limited number of drugs and therapeutics which would cover all emergencies and majority of the morbidities. A list of 226 drugs had been communicated by the Government based on the WHO list of essential drugs. A format consisting of the specification of drugs and

therapeutics intended to be used by an institution would be the appropriate manner of integrating the technical aspects of the need for various drugs and the financial relatives faced by each institution.

3. The matter has been examined in detailed by the Government and the following orders are issued in the matter.

4. The Directorate of Medical Education and Health should develop teaching hospital and community formulary respectively on the lines of the formulary already development by the A.P. Vaidya Vidhana Parishad. Guidelines for preparation and use of hospital/ community formulary and approved product list (APL) are appended in Annexure-I to third order.

5. In the meanwhile all Government Hospital and public Health centres institution shall adopt the A.P.vaidhya Vidhana Parishad formally and follow institutions therein. The ABP Vaidhya Vidhana Parishad formally contains 260 popular drugs have been classified as life savings drugs at all times, The list of 375 drugs mentioned in the hospitals standing orders and the list of essential drugs (226 in all) communicated in G.O.Ms.NO.386, dt 02-07-1985, dt 06-02-1986 and memo No 2159/1/85-3, dated 5-2-1986.

6. The rate contract committee is replaced by two committees as follows:

- a. Technical Bid committee (TBC) which would considered the technical bids and recommended whether a firm satisfied for considered of financial bid or not; and
- b. Financial bid committee (FBC) who would examine the financial aspects of the offer of only those forms whose technical bid is found satisfactory.

7. The practice of issue order from Government constituting rate contract committee every time a rate contract is to be drawn up is hereby dispensed with. Power have been delegated tot he respective head of the department director of medical education/ director of health to constitute the required committee in accordance mention below.

8. Composition and guideline for appreciation of technical bid and financial bid are appended to Appendix - II & III. respectively.

9. Purchase ordering of most of the drugs is to be effected by respective head of departments. The vendors will however be asked to effect the supply at the district/hospital level. the respective head of the department will collect information on stock position and requirement on a quarterly basis 85% of the allocation for drugs and therapeutic should be utilised for drugs supplied through the centralized purchase order, and only the remaining 15% is allocated for use by district level officers or head of Hospitals, so that there will be any misuse of powers by field officers. assuming that 50% of the allocation under 190 materials and supplied get spent on drugs, 42.5% of the total expenditure on drugs. this will ensure that essential drugs are considerably available and the limited budget not get spent for drugs outside the popular and basic drug list in the formulary. Hence, 42.5% of the

existing allocation/ institution should be pooled and shown under the respective directorate. This allocation will be utilised to pay for the drugs supplied through the centralized purchase ordinary systems. the Director of Health / Director of Medical Education are requested to send reappropriation proposal for transfer of 42.2% of allocation under 190 materials and supplies to be corresponding head of account to be operate at the directorate.

10. Pending finalisation of the new rate contract, the heads of departments have already been authorised (orally) to operate the rate contract of A.P. Vaidya Vidhana Parishad by Government Hospitals, Health care institution under Director of Medical Education, Director of Health.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

B.V.RAMA RAO
PRINCIPAL SECRETARY TO GOVERNMENT.

To
The Director of Medical Education, Hyderabad.
The Director of Health, Hyderabad
The Commissioner, A.P. Vaidya Vidhana Parishad. Hyderabad
All the Committee members in G.O.MsNo.735,
HM&FW (M1) Department,. dated 18-5-1992.
The Accountant General A. P. Hyd.
The Pay & Accounts officer A.P. Hyd.
All District Treasury officers.
copy to SF/ Scs.

//forwarded by order//

SECTION OFFICER

ANNEXURE - I

G.O.Ms NO.277, HM& FW(M10 Dept date 12-5-1993.

GUIDELINES FOR PREPARATION OF HOSPITAL/ COMMUNITY FORMULATION & APPROVED PRODUCT LISTS (APL).

1. PURPOSE

- a. The " Teaching Hospital formulary in case of the institution under the control of the director of Medical education and the community Formulation in case of the institution under the directorate of health as well as the Directorate of family welfare shall be the primary reference for:
 - i. prescribing drugs and therapeutic by the medical practitioner working in the various institutions of the respective directorate.
 - ii. rate contraction, purchase and stocking of drugs and therapeutic, surgical dental, diagnostics and laboratory materials in hospitals and institutions of the respective directorates.
- b. provided that till such time, as the respective directorate develop their own formulary hospital. Formulary of the A.P. Vaidya Vidhana Parishad (APCF) shall be made use of by all hospitals and health care institution of government.

2. SECTION AND CLASSIFICATION OF ENTRIES:

- i. The formulary shall have three section such as drugs and therapeutics, surgical and dental materials, diagnostics and laboratories.
- ii. Entries in each section of the formulary shall as popular, basis and special as per the following scheme.

Popular Drugs & Therapeutics /Surgical and Dental Materials/Diagnostic and Laboratory Materials.	All drugs and therapeutics purported to be dispensed to outpatients and /or distributed to families and required for prevention, control and treatment of diseases and abnormalities identified to be of major public health importance for the country and the state. e.g. drugs required to treat anaemia, antenatal care, national control programme etc., popular sera and vaccination , pharmaceutical aids e.g. water for injection etc. raw materials and ingredients for all preparations locally compounded in the hospital, essential drugs and therapeutics required in minor OTs., dressing rooms etc. both OP an indoor.
--	---

Basic Drugs & Therapeutics/Surgical and Dental Materials/Diagnostic and Laboratory Materials.	All drugs and therapeutics/surgical and dental materials/ diagnostic and laboratory materials required for commonly occurring morbidity needing hospitalisation and for running of the major components of hospitalisation and for running of the major components of hospital services. These are normally required in the basic clinical departments or to provide diagnostic and surgical support to them for "Bulk of cases" i.e. all types of cases which add up to 75% of the total annual admissions to these departments. Basic clinical departments would consist of departments like General Medicine, Pediatrics, General Surgery and Orthopedics, Obst., & Gynaec etc. The 75% cut off level being determined by arranging the morbidity in order of their incidence as per the hospital admissions. Bulk of cases is to be ordinarily arrived at for the State as a whole, by sample study of admission figures in selected hospital from different regions. Basic drugs and therapeutics would be available to the clinicians in the casualty as well as OP for the purposes of any clinical or diagnostic procedure or spot administration to patients.
---	--

Special Drugs & Therapeutics / Surgical and Dental Materials/Diagnostic and Laboratory Materials.	All drugs and therapeutics/surgical and dental materials/diagnostic and laboratory materials exclusively used in subspecialty departments like Cardio-thoracic surgery, Neurology, Nephrology etc. Drugs and therapeutics, for which 75% of the total consumption occurs in the subspecialty departments, only are to be considered as exclusive to these departments, Materials exclusively required for rare cases in all departments are also classified under this head. Rare cases means, cases the hospital incidence of which do not exceed 25% of the total admissions. In other works all cases which do not belong to the bulk cases category come under this preparations which have an advantage over the other preparations of the same drug by way of convenience in use etc., are also classified under this head.
---	---

- iii. Each entry shall also be assigned additional classifications like life saving status, pharmaceutical manufacturing product classification etc.

- a. The above classification shall be the basis for use of budgetary resources in accordance with the following principles:
 - i. Public medical and health care institutions shall ordinarily provide the drugs and therapeutics, surgical, dental, diagnostic and laboratory materials as in the appropriate formulary or approved product list for treatment and care of the patients seeking its services. Any other material required for treatment and care of a particular patient should be procured by the patient or his attendants.
 - ii. All institutions shall invariably supply the popular and basic materials as in the appropriate formulary / approved product list, to all categories or patients. If any particular material is not available for the time being, the same shall be locally purchased and made available for treatment and care of the in patients.
 - iii. The special drugs and therapeutics as available within the budgetary or other limits fixed for the same shall preferably be used for the economically poor patients. Economically better off patients and their attendants should be called upon to procure the special drugs and therapeutics, diagnostic, surgical, dental materials or implants required for their treatment and care.
 - iv. The attending medical/nursing staff in charge of a patients care may issue required note/prescription to the patient or the attendant(s) for purchase and supply by them in accordance with these guidelines

3. Procedure for preparation of formulary

- a. For preparation / amendment / updating of the formulary there should be a core of one or a group of a few young professionals who have evinced interest in preparation of formulary and would have the time to provide technical secretariat support for the shoal exercise. The core person/group would refer to all literature, discuss with general and specialist clinicians/community health practitioner, visit to hospital pharmacy/community health stores, collect market intelligence from the pharmaceutical industry and retail drug store, surgical, dental, diagnostic and laboratory material manufacturers/dealers, and based on all these prepare a draft list of entries in the formulary (core draft).
- b. There shall be a formulary committee of not less than 10 members consisting of:
 - i. Community health practitioners/general practitioners/disease control specialists in case of community health formulary and

specialists of all areas including various subspecialties, in case of teaching hospital formally.

- ii. Clinical economists/epidemiologists from different specialties, as are available within the country. For example scholars working in the clinical epidemiology units (CEU) of the international clinical epidemiology network (INCLEN) in India*, particularly the ones with level 2 or higher skill in clinical economics.
 - iii. Advocates of rational drug use, WHO essential drug lists, particularly from non-governmental organisations (NGO), for example the All India Drug Action Network (AIDAN) based in the Voluntary Health Association of India (VHAI) and its member institutions.
 - iv. Pharmacologists / Clinical pharmacologists. (* CEUs in India as on date (1992) are at the AIIMS, New Delhi, King George Medical College Lucknow, Government Medical College, Nagpur, CMC Vellore, Madras Medical College, Madras. College of Medical , Trivandrum.)
 - v. Experts from the pharmaceutical industry, regulatory bodies like the state and national drug control administration, pharmaceutical testing laboratories and research institutions.
- c. The terms of reference (TOR) of the respective formally committees will be:-
- i. Consider the draft prepared by the core group (core draft) and prepare a draft (in house draft) for wider in house circulation and discussion in professional circles, hospital level workshops on the draft list etc.
 - ii. Consider the suggestions received from in house circulation, workshops, discussions etc., and prepare an open draft for circulation to and discussions with appropriate extramural experts / organisations.
 - iii. Consider the suggestions received from the open circulation, discussions, workshops as the case may be, and recommend amendment, inclusion, deletion or reclassification of entries in the respective formulates (recommended draft).

Provided that the formally committee shall take care to see that each resultant entry in the formally is a complete specification consisting of pharmaceutical standards of ingredients, formulation, strength, dosage form, unit of packing, mode of packing etc., The specifications should be such that the entry means one and only one product in the pharmaceutical trade. For example two different dosage forms of the same drug should be shown as two different entries.

Provided further that the cost of drugs, therapeutics, surgical, dental diagnostic and laboratory materials and their impact on the resultant alternative therapeutic regimen will be taken into consideration for classification of entries, so that the formulary can be operated within the over all budgetary allocations and financial status of the institutions/ programmes concerned.

- d. The Head of the Department shall be competent to constitute the respective formulary committees and may chair the committee. The actual size of the committee will depend on the needs of the respective formulary and the type of entries for consideration before it etc. The Head of the Department may constitute sub committees for detailed deliberations of entries pertaining to particular specialties or group of entries. The recommendations of such sub committees shall be before the full formulary committee for consideration.
- e. Recommendations of the formulary committee shall be placed before a committee of all heads of departments in the medical and health sector. The HOD Committee may reclassify any entry:
 - i. in order to make the formulary operable within the given constraints of budgetary resources and financial status, as well as the tariff policy of the Commissionerate, and or
 - ii. establish consistency, comparability and parity between the formularies of different heads of departments.
- f. The respective sections of the formulary once approved should be taken up for major revision once in five years. The head of the department should make arrangements for filing, recording and processing of suggestions received from time to time so that they can be taken up at the time of major revision. Minor revisions may be made during the interregnum in case where felt necessary.
- g. The HOD may entrust the whole task of preparation of the formulary to a specialised agency / organisation with skill and facilities to prepare the formulary and reimburse expenses as well as pay professional fees for such service. The organisation/ agency so appointed will however follow the broad approach outlined in these regulations for preparation of the formulary.

4. Approved product list and specification and standards:

- a. For the materials and supplies usually required by hospitals/health care delivery institutions and not covered by the formulary, the Head of the Department shall take steps to prepare an approved product list (APL) containing the serial/code for reference, description and reference to standard specification etc.,
- b. The APL shall have the following sections;

- i. Hospital/ Health centre Requisites including linen & mattresses, nursing wares, cleaning agents etc.,
 - ii. Furniture including general, laboratory and hospital equipment.
 - iii. Machinery and Equipment including general, diagnostic, laboratory and hospital equipment.
 - iv. Miscellaneous including medical records forms and stationery.
- c. Where ever suitable Indian standards (issued by the Bureau of Indian Standards) exist, such standards should be specified with appropriate buy or options, taking into account the needs of the hospitals/institutions.
- d. Wherever no suitable Indian standards do not exist or is considered inadequate, the Head of the Department should take steps for adoption of a standard specification by the Department.
- e.
- f.
- g. The Head of Department may entrust the whole task of preparation of the standard specification to a specialised agency/organisation with skill and facilities to prepare the standard specification and reimburse expenses as well as pay professional fees for such service. The organisation/ agency so appointed will however follow the broad approach outlined in these regulations for preparation of the standard specification.

M.V.RAMANA CHARYULU

SECTION OFFICER

Health, Medical Family Welfare Department
Secretariat, Hyderabad

ANNEXURE -II

(G.O.Ms.No.277, HM & FW (M1) Department, dated 12-5-1993)

GUIDELINES FOR EVALUATION OF TECHNICAL BIDS

1. A technical bid committee should be constituted by the Director of Medical Education/Director of Health as the case may be, consisting of himself as the chairperson and persons conversant with:

a) Production, manufacturing, technology (for e.g. pharmaceutical experts), technical appreciation, installation, servicing, standardisation or quality control (for e.g. pharmaceutical testing laboratories and research institutions in case of drugs etc., and the Bureau of Indian Standard in case of hospital requisites furniture etc.) aspects, regulatory administration (for e.g. drug control administration) of the product or service;

b) Intending, purchases, (for e.g. medical superintendents, resident medical officers, hospital administrators, medical stores depot of the government of India & C.), acceptance, storage and distribution of the product or service (medical stores depot of the government of India, pharmacists in charge of medical stores); and

c) Handling, operation, utilisation, consumption, administration or prescription of the product or service (physicians, surgeons, dental surgeons, theater nurses).

d) Sister directors/chief executive of autonomous bodies in the health departments having similar purchase requirements or heir representatives.

e) Representative of the Industries departments. Provided that separate technical bid committees should be constituted for scrutiny of technical bids for different groups of products so that appropriate technical and industry (here industry means the trade and industry concerned and not Industry department) personnel can be associated fully without having to go for very large and unmanageable committees.

Provided further that in case of technical bid committee for evaluation of offers for general rate contract the committee should consist of 10 or more members.

2. The technical bid committee, expert or the purchasing officer as the case may be, should make an assessment about each of the tenderer based on criteria that may be prescribed or evolved by them and recommend a list of firms whose financial offer can be taken up for consideration. Without prejudice to the foregoing provisions, the technical bid of any vendor may be rejected on any of the following criteria:

a) The material , service, machinery or equipment offered by him are not in conformity with the specifications.

b) Delivery period offered by him would not be suitable and would not satisfy the needs of the Commissionerate and its institutions, particularly when alternative offers with better delivery schedule are available.

c) Previous performance of the vendor in terms of supply schedule, promptness of service, quality of product etc. has not been satisfactory. Performance of the vendor in supplying to other public authorities may also be taken into consideration to assess this aspect.

d) Inspection report conveying unsatisfactory remarks about capacity, technical ability and financial position etc.

e) Past history of indulgence in unhealthy trade practices.

3. The technical bid committee, expert or the purchasing officer as the case may be, may call for additional information, visit the facilities, carry discussion with service delivery personnel or interact in such other manner as deemed proper, with any bidder so as to enable them to make the required assessment. In case the bidder does not furnish the information or does not allow visiting of his facilities by the above authorities, further consideration of the technical bid may be dropped.

4. Where a visit to the facilities of the bidder or such other enquiries, at the place of the bidder is essential for having an assessment, and either the bidder is very much unknown or known to be unreliable, or the location of the bidder's facilities or headquarters is so far off that considerable time and money is required for the visit's or field enquiry, further consideration of the technical bid may be dropped or the bidder may be required to pay processing fee, for taking up further consideration of the technical bid.

5. Ranking of firms: The technical bid committee, expert or purchasing officer as the case may be, may rank the firms into different groups or in serial order in the following situations and in accordance with the respective criteria mentioned below:

a) In cases where there is distinct difference in the technical ability, standing, quality of product and services etc., between one firm and the other, according to such ability, quality or standing.

b) When the conditions regarding technical ability, quality etc., are almost equal preference in ranking given in the following order:

I. Firms which produce the material, machinery, equipment or service in India from domestic raw materials (which expression shall include personnel for services). Between these firms preference shall be given to those who produce in Andhra Pradesh.

II.Firms which produce the material, machinery, equipment or service wholly or partly in India from imported raw materials (which expression shall include personnel for services).

III.Firms which hold the articles of foreign manufacture in stock in India and have the required service and maintenance back up.

IV.Firms offering articles which are manufactured abroad and need to be specially imported.

6. Provisional Approval for Trial Purchase: In case of firms tendering for the first time and about whom no past history of performance is available, if appreciation of technical bid can not lead to a definite opinion then the technical bid committee/expert or purchasing officer as the case may be, may recommend provisional satisfaction only for the purpose of placing a trial order to test the ability, quality of product/service rendered by of the firm.

ANNEXURE - III

(G.O.Ms.No.277, HM & FW (M1) Department, dated 12-5-1993)

GUIDELINES FOR CONSIDERATION OF FINANCIAL BIDS

1. The financial bid committee shall consist of the Director of Medical Education/Director of Health as the case may be as the chairman and following members:
 - a) A representative each from the government in health department and the finance (finance wing) department.
 - b) Additional / Joint/Deputy director looking after the work of drawing up of the rate contract, convenor.
 - c) Chief Accounts Officer, Directorate of Health.
 - d) Internal Audit Officer, Directorate of Health/Medical Education and till such time as these directorates do not have their IAO the IAO of the APVVP.
 - e) One Medical Superintendent and one Resident Medical Officer nominated by the Director of Medical Education from two different institutions at least one of which is out side Hyderabad and in case of the Directorate of Health and DM & HO and one Additional DM & HO from two different districts both from outside Hyderabad.
 - f) The Director Health/Medical Education or his representative and the Commissioner APVVP or his representative.
2. The financial bid of firms, whose technical bid is found satisfactory only shall be opened and scrutinized.
 - a) A comparative statement, in accordance with the following guidelines and any other additional guidelines that may be prescribed by the financial bid committee, shall be made with respect to the specifications of the material.
 - i) The comparative statement should be so drawn up that the financial offer of all tenders relate to a constant and comparable unit of the material or service.
 - ii) For the purposes of comparison sales tax shall and other local taxes shall be excluded.
 - b) Discussions may be held and negotiations may be carried out with the concerned firms to seed clarifications about the specifications of the products offered, confirmation and or revision of the financial offer, as well as other conditions of the offer.
 - c) A descriptive note along with comparative statement of the initial offers and the result of discussions if any should be prepared and placed

before the purchasing authority. The purchasing authority shall take these into consideration.

d) While considering a financial bid, if it is found that the rates quoted by any bidder for any product is unrealistically low, in comparison with the standard estimated cost, that particular offer may be ignored, in the interest of preventing unethical trade practices and to ensure high reliability in quality of products offered.

3. Number of firms to be empanelled and allotment of business:

a) In order to ensure that supply lines for uninterrupted operation of the hospitals/ institutions are not affected by any unforeseen difficulties experience by a single supplier and to cultivate a wider base of suppliers more than one firm should be empanelled in the rate contract for the same product. The total number of firms to be empanelled will depend on the volume of the product likely to be procured during the validity of the rate contract, the value of financial turnover associated with it so that it does not become uneconomical for firms to execute the orders. Ordinarily about 3 firms should be impaneled and in special circumstances where consumption of a particular material is heavy and a good number of equally reputed manufacturers are available the limit for the number of firms to be impaneled may be enhanced to 6. While impaneling more than one firms differential rates may be allowed for different firms keeping in mind their original offer, ranking of the technical bid etc. provided that the highest rate accepted shall not be more than 10 % over and above the lowest accepted rate.

b) In so far as purchases to be made under the rate contract by the district officers and hospitals directly, the districts and hospitals should be clearly allotted between the various firms who are impaneled in the rate contract.

c) In so far as purchases to be made on a state wide basis from the head officer, the ratio in which orders should be placed on various empanelled firms should be fixed.

d) While allotting the hospital districts and fixing the ratio for placement of orders a slight preference shall be given to the firm who made the most favorable offer in the first instance and which was used as a basis for negotiations with the other firms.

e) In case a firm fails to satisfactorily execute the orders placed on it by the respective hospital districts/institutions the Head of the Department may allot the institutions/hospital districts among other firms in the rate contract for the same product. In case a firm fails to satisfactorily execute the orders placed on it by the head office, the Head of the Department may distribute the share originally allotted to the firm and revise the ratio for placement of orders to the remaining firms accordingly. All such

revisions shall be placed before the financial bid committee for information.

f) The Head of the Department may during the course of operation of a rate contract revise the share of impaneled firms if it is found that any firm has received unusually orders resulting in complete distortion of the ratio for relative share of business among the impaneled firms. The purpose of such revision would be to rectify such distortion. Every such revision should be placed before the COP for ratification.

SECTION OFFICER