



*ZdravReform*  
*ЗдравРеформ*

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## **DRUG INFORMATION SYSTEMS FOR KAZAKHSTAN**

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Prepared under Task Order 211 by:  
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Submitted by the *ZdravReform* Program to:  
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## BACKGROUND

Formerly in Kazakhstan which imports over 95 percent of its pharmaceuticals, the government monopolized the procurement and distribution of drugs. In 1993 the state-owned pharmacy system was reorganized into a Holding Company Farmatsiya, and commercialized. It was thought that making the system independent and self-financing would make it more efficient and lead to an increase in the supply of drugs. In fact, drug availability has worsened. Because of declining budget revenues and unchanged drug entitlements, pharmacies have faced a growing burden of debt owned by healthcare providers and repeatedly have raised prices in a mostly futile effort to recover their costs. The resulting cascade of debt has further aggravated payment problems. Slower turnover, reduced supplies, and fueled inflation in a self-reinforcing cycle. Inevitably, some pharmacies have refused service to public beneficiaries so as to avoid nonpayment, while some physicians have limited their prescribing so as to avoid more debt.

Since November 1994, the *ZdravReform* team has worked with the government of Kazakhstan and other USAID contractors to develop a program for the thorough restructuring of Farmatsiya and staged privatization of its assets, beginning with urban retail pharmacies. Many health officials initially preferred a form of administrative privatization, fearing that otherwise the results would be closed pharmacies, diminished access to drugs and widespread unemployment among pharmacists. *ZdravReform* team helped convince health leaders and other officials that small-scale privatization through auctions would yield a much stronger system of corporate governance, with pharmacies in the hands of better capitalized, more entrepreneurial owners, and that the risks of diminished access and excess unemployment could be handled more effectively and at lower costs by other means.

## OBJECTIVES

This consultancy is based on a report to the Minister of Health of the Republic of Kazakhstan and to the United States Agency for International Development (USAID) prepared by Abt Associates Inc. and submitted November 21, 1994, entitled *Findings and Recommendations on the Restructuring of the State Holding Company Farmatsiya and on Improving the Supply and Distribution of Medicines in Kazakhstan*. There were five tasks identified and are as follows:

1. To assist the Ministry of Health in the design and implementation of a cost-effective drug information system for use with newly-privatized retail pharmacies.
2. To provide policy support to the Ministry of Health on redefining drug benefits.
3. To assist the Ministry of Health in designing and testing drug reimbursement mechanisms.
4. To provide assistance to Ministry of Health in developing objective criteria for selection of assets to be transferred to MOH, based on public health protection standards.
5. To assist in the establishment of the Kazakhstan Association of Pharmacists in the definition of its mission, and in its emergence as an effective voice for the interests of private pharmacists and the maintenance of professional ethics.

## **SCOPE OF WORK**

The technical assistance undertaken was as follows:

Advise and assist the newly created pharmaceuticals department of the MOH in the establishment of objective criteria for retention or divestiture of Farmatsiya retail operations. Work with the Ministry of Health to develop framework for determining affordable levels of drug benefits and essential drug lists. Assist in development of a drug information system to be implemented in newly-privatized pharmacies. Advise Ministry of Health on instituting a fee-based system to recover costs of drug information system. Assist in the design and testing of a drug formulary system in selected inpatient and outpatient healthcare facilities.

The outputs of this technical assistance are defined as follows: Assistance to selected oblast administrations in applying standards, and to Ministry of Health in reviewing oblast Farmatsiya restructuring plans. Objective standards developed for application by oblast Farmatsiyas in determining deposition of assets. Plans developed for cost-effective drug information system. Plans developed and training/technical assistance needs assessment conducted for establishment of MOH policy analysis unit. A planning meeting with Charles Krakoff and Peter Hauslohner was held in Almaty, Kazakhstan, on February 16 and 17 to begin this consultancy.

## **SUMMARY OF ACTIVITIES**

This consultancy has been performed by John Kaufman, a private pharmaceutical consultant contracted by Abt Associates to offer technical assistance during the period of February 16 to June 7, 1995 in Kazakhstan under task order 211 of the *ZdravReform* Program. This is a summary of technical assistance provided during my consultancy in connection with the task of Drug Information Systems which produced the following progress towards the stated objectives.

The work began with the *ZdravReform* team worked closely with the Ministry of Health, The State Property Committee (GKI), the Antimonopoly Committee (AMC) and the USAID contractors advising these organizations in the drafting of a decree that would dissolve, restructure, segment and privatize the State Holding Company Farmatsiya. The Decree of the Cabinet of Ministers ordering the dissolution of Farmatsiya State Holding Company was approved on April 10, 1995 incorporating many of the concepts and objectives advanced by *ZdravReform* Program. Since the approval of the decree by the Cabinet of Ministers, the *ZdravReform* team has focused on assisting GKI in drafting a directive from the Republican GKI to the oblast territorial committee, instructing them as to methods and principles for implementation of the Cabinet Decree abolishing the Farmatsiya State Holding Company. We anticipate the signing of the Decree of the Cabinet of Ministers of the RK dated April 10, 1995 Questions of Reorganization the State Stock Holding Company Farmatsiya and Development of Pharmaceutical Market very shortly.

The *ZdravReform* team visited several state-owned and private pharmacies, private distributors, as well as officials of the Almaty, Shymkent and Ust-Kamenogorsk (East Kazakhstan) Joint-stock companies as part of an information needs assessment. One element of this information gathering was to achieve a better understanding of the issues involving pharmaceutical distribution and to help devise methods of transition into a market-based system. The information gathered in these oblasts and elsewhere in Kazakhstan will contribute to the development of a cost-effective Drug Information System that meets the needs of privatized pharmacies.

The *ZdravReform* team participated in a workshop on reproductive health organized by the Futures Group. One component of this workshop was to discuss and assess the capabilities of the private sector to meet the drug needs of the population and, specifically, to address issues: 1) Financing of drug purchases; and 2) whether and how private pharmacies could achieve the economies of scale in purchasing generally available to the government sector. The *ZdravReform* team also met with representatives of CDC to discuss the most cost-effective means of distributing contraceptive products to state family planning clinics in Kazakhstan. Our recommendation is to use private distributors or the newly restructured Farmatsiya distributor in each oblast instead of the Ministry of Health establishing their own distribution system.

A Drug Information System has been designed with the support and approval of the Director of the Department for Control of Quality and Standardization of Drugs of Ministry of Health. In essence, this system would comprise a central computer within their Department. Each pharmaceutical firm would be required as part of the registration process to provide standardized drug information on diskette in a simple ASCII format in Russian language. This information would be compiled by the MOH and published in some form of looseleaf binder, which would then be provided to all pharmacies. As information needs grow more sophisticated and financial resources increase, the system could involve towards a more complex, on-line and interactive system, which would permit the MOH to gather information on drug sales and usage, as well as providing basic drug information. A draft budget has been prepared by the MOH and recently submitted for *ZdravReform* Pharmacy team.

Although not included as one of the objectives in our original workplan, the development of a Drug Formulary System has emerged as an important component of any effort to control costs and to establish a basis for subsequent implementation of a drug benefits program and reimbursement system. We have agreed with the Ministry of Health that a formulary system can and should be tested in a number of sites, which should include both acute-care and outpatient facilities. We have obtained a commitment from the Kazakhstan Science Research Institute of Pediatrics, an acute-care hospital in Almaty, to serve as one of those sites. This hospital is a member of the AIHA Partnership Program. So we are additionally trying to develop a linkage with the U. S. partnership hospital to provide technical assistance on a formulary system. Discussions have recently started with Project Hope to utilize the Chevron Project in Atyrau Oblast as a demonstration site for a drug formulary system and the development of a drug benefits program including a reimbursement system . We are currently exploring other potential demonstration sites in South Kazakhstan and Dzhezhgagan oblasts.

The development of a workable and affordable Drug Information System including the development of a drug benefits program will also require a reduction in the current List of Essential Drugs, now numbering more than 700. Only 18 percent of WHO's recommended List of Essential Drugs exist in the current Listing. We have a commitment from the MOH to review and revise their Essential Drug List to confirm with WHO. The *ZdravReform* pharmacy team has begun working with the Department of New Economic Policy and Health Insurance in the Ministry of Health to review drug benefits programs and to attempt to establish a Drug Formulary System that will restrict the range of drugs qualifying for reimbursement or government purchase, based on therapeutic justification and the substitution of generics for brandname drugs. Although reimbursement experiments will not begin until early 1996, the development of a drug formulary and a drug benefits program is an essential first step.

The issue of licensing of newly privatized pharmacies has emerged as a potentially important one since it could be used by local officials themselves interested in purchasing pharmacies to deny licenses to others having bought pharmacies at auction, thus restricting competition. Under the *Farmatsiya* system, pharmacies were not required to have a license. The new licensing apparatus that has been developed has until now applied only to new private pharmacies, which must obtain a license from the oblast authorities to begin operating. Licenses typically are granted by a licensing board in each oblast, comprised of representatives of the oblast health department and *Farmatsiya* Joint-stock Company many of whom may have their own business interests at stake in decisions by the board. We have thus obtained provisional agreement by the Licensing Department of the republican MOH that all pharmacies being privatized will automatically be granted licenses by the Republican authorities, providing they meet the space, safety and security requirements set forth in the licensing regulations and that further more such licenses will be issued within 30 days of purchase of the pharmacy.

The Ministry of Health held a major seminar which was sponsored in cooperation with the World Health Organization for all oblasts MOH, representatives of each oblast JSC *Farmatsiya* and republican level MOH department heads. A major portion of the seminar was devoted to the findings and recommendations of the WHO team assigned to Kazakhstan. Their recommendations closely supported *ZdravReform* pharmacy teams programs currently under development with the MOH.

We have recently recruited a local clinical pharmacologist who will be an extension of the *ZdravReform* pharmacy team in assisting the Ministry of Health in the revision of their Essential Drug List. The clinical pharmacologist will also play an active role in advising the various demonstration sites in the development of drug formulary systems.

The *ZdravReform* team, working jointly with Counterpart Consortium, a USAID contractor assisting NGOs in Kazakhstan, has held three meetings with pharmacists from the public and private sectors and as recently established a national pharmacists association. A Steering Committee consisting of 12 pharmacists with temporary officers has been established. Work has begun on drafting a charter, by-laws and a code of ethics. A mission statement Profession of Pharmacists for the benefit of the

patient has been adopted by the Group. This association will contribute substantially to the effective dissemination of drug information and to the development of professional standards and to be guided by a code of ethics. Representation from the Pharmacist Association will also play an active role on a Nongovernment Advisory Board that will assist the Department for Control of Quality and Standardization of Drugs in guiding the Drug Information Program.

## **SHORT-TERM RECOMMENDATIONS**

Pharmacy and business management training and assistance should be provided to increase the likelihood that privatized pharmacies will survive. A proposal has been submitted for a USAID/Turkish funded program. Finalize the budget that has been submitted by the Department for Control of Quality and Standardization of Drugs of the Ministry of Health to fund the first stage of publishing and distributing a drug information system for all pharmacies. Revise the essential drug list for Kazakhstan to confirm to WHO's recommend list utilizing the newly hired clinical pharmacologist. Complete the selection of demonstration sites for drug formulary systems. Additional recommended model sites would be: 1) Primary care hospital 2) Outpatient primary care clinic 3) outpatient polyclinic.

Recently the *ZdravReform* team was requested by the Ministry of Health to review and comment on their recent draft Basic Principles of the National Medicinal Policy in the Republic of Kazakhstan. The MOH indicated that the draft legislation will be acted on within 2-3 months. This is an important piece of legislation for it establishes the foundation for the Ministry of Health's National Drug Policy.

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