Leveraging private sector expertise to improve supply chain management within the Ministry of Health

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Purpose

- To provide insights on how the HIV/AIDS program at the Indonesian Ministry of Health leveraged donor funding and private sector expertise to build supply chain management capacity within Ministry of Health.
Number of Hospital and Primary Health Center in Each Province: Data December 2010
(Sumber data Ditjen Bina Kesehatan Masyarakat Kemenkes, 2010)

TOTAL 1523 Hospitals:
1. Private Hospital 768
2. Government Hospital 755
3. Primary Health Center (Puskesmas): 9005

Note:
Hospital manage by Ministry of Health, Pemda, TNI/Polri, BUMN/other ministry.
Integrated Health Services

District Level
- District Health Office
- Primary Health Centers
- Basic Health Services

Provincial Level
- Provincial Health Office
- Hospitals
- Referral Health Services

National Level
- Ministry of Health
- Hospitals

INTEGRATED SUPPLY CHAIN MANAGEMENT
Service Delivery Challenges

POLITICS
- Transition to decentralization and regional autonomy
- Coordinating who is responsible
- Implementing policies set at the central level in the field

PLACE
- Geographic complexity of over 17,000 islands
- Distance and transport infrastructure challenges
- Difficult to gain visibility into supply and demand information in the field

POPULATION
- Meeting the needs of 240 million people
- Isolated populations concentrated in difficult to reach areas

PROGRAMS
- Lack of priority put on supply chain management
- Qualified human resources in supply chain
- Coordination of domestic and external donor budgets
- Management of international and local suppliers
- Frequent stock outs
Indonesian Private Sector

• Supply chain management is increasingly maturing as a core component of corporate strategy in Indonesia

• Major global companies such as Unilever, Nestlé, and Coca-Cola have championed supply chain best practices to improve their operations

• Global and local drug manufacturers and distributors have developed strong pharmaceutical supply chains.
Strategies

**Hire from the private sector to build supply chain competencies within the civil service**

**Work with private sector to outsource customs clearance, warehousing, and distribution**

PUBLIC-PRIVATE PARTNERSHIP
Critical Success Factors in Hiring

- Supported by external stakeholders, MOH integrated private sector principles into hiring process
- Created specific job descriptions and qualifications
- Targeted advertising in private sector channels
- Rigorous selection process
- Competitive salaries supported by donors
- Performance review system with professional standards
- Supply chain professionals embedded into the organization
- Emphasized social value and contribution
- MOH determined how to adapt private sector best practices
Hiring Challenges

• Sustainability
  – Transition of skills to Ministry of Health
  – Current program is dependent on donor funding

• Trust and Acceptance
  – Cultural shift to form public-private partnerships

• Career Path
  – Ongoing professional development
Outsourcing to the Private Sector

• Adopt best practices in third-party logistics outsourcing
  – Set up a clear contractual agreement
  – Form a strong institutional partnership
  – Implement and monitor service level agreement
Outsourcing Challenges

• Change in mindset and behavior to third-party logistics contract management
• Strict government regulations in procurement and drug distribution policies
## Results in HIV/AIDS Program

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<th>PROBLEM</th>
<th>APPRAOCH</th>
<th>IMPACT</th>
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| • Several HIV/AIDS treatment sites across the archipelago report frequent ARV stock outs<br><br>• A shortage of human resources at the national, provincial, and site level to support a multi-million dollar supply chain<br><br>• Challenging conditions place a burden on the MOH to constantly respond to supply chain emergencies | **1. Build capacity:** Established team with private sector expertise to address specific supply chain challenges<br><br>**2. Develop outsourcing partnerships:** Outsourced and decentralized ARV storage and distribution | • The MOH redefined its approach to supply chain management<br><br>• The MOH successfully kept stock outs at ARV treatment sites below 5%
|  |  | • Clear key performance indicators lead to increased service levels and reduced lead times<br><br>• Simplified supply chain operations allowing more focus on core of MOH |
Impact on Stock Outs

Site Level Stock Outs of ARVs

2008-2010

- 2008:
  - Hired from private sector to build team within MOH
- 2009:
  - Finalized outsourcing agreement
- 2010:
  - 4

Year 2008 - 2010

Site Level Stock Outs of ARVs
Remaining Challenges

• How to adopt in other health programs?
• How to adopt downstream in the supply chain?
• How to make a permanent part of the health system?
TERIMA KASIH
THANK YOU