



Republic of the Philippines
Department of Health
OFFICE OF THE SECRETARY

June 22, 2018

DEPARTMENT MEMORANDUM

No. 2018 - 0233

TO: DOH REGIONAL DIRECTORS / MEDICAL CENTER CHIEFS / CHIEFS OF HOSPITALS AND EXECUTIVE DIRECTORS OF ATTACHED AGENCIES AND OTHERS CONCERNED

SUBJECT: Reiteration of Administrative Order No. 2006-0039 Entitled "Amended Policies and Guidelines for the Institutionalization and Decentralization of the Department of Health Drug Consignment System" and its Amendments

In 2017, the DOH commissioned a study to examine the factors contributing to the continued wide price variation of essential medicines in government hospitals despite the implementation of the Drug Price Reference Index (DPRI). The DPRI is the mandatory price ceiling imposed by the DOH in the government sourcing of essential medicines whether through public bidding or procurement. It was observed in the study by Wong et al that drugs purchased through consignment tend to be more expensive than when procured through public bidding.

This was further confirmed by a separate audit of the DOH Internal Audit Service (IAS) among selected DOH hospitals which showed the higher prices of medicines when sourced through alternative modes of procurement, particularly emergency purchase and shopping as well as consignment. In a number of cases the product purchased through consignment was of a higher price, and usually tends to be of the "branded" or "branded-generic" form.

In line with this, all Regional Directors, Medical Center Chiefs and others concerned are hereby directed to observe Administrative Order No. 2006-0039 entitled "Amended Policies and Guidelines for the Institutionalization and Decentralization of the Department of Health Drug Consignment System" and its amendments (AO No, 2006-0039-A) in the implementation of the Consignment System for Drugs and Medicines until the revised simplified implementing guidelines for Drugs and Medicines Consignment is released.

In addition, pursuant to Section 10 of Republic Act of 9184 and its revised IRR, please be reminded that the default mode of sourcing of essential drugs in government should be competitive bidding except as provided in Rule XVI of the said IRR.

Further, consignment is only a means to augment the need of hospitals and not be used as the main mechanism in making drugs available in your health facilities.

For strict compliance.

By Authority of the Secretary of Health


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Undersecretary of Health
Health Regulation Cluster