Notice by the National Healthcare Security Administration and the National Health Commission on Improving the Mechanism for Centralized Pharmaceutical Procurement and its Implementation[1]

Authority: **National Health Security Administration** and **National Health Commission**

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Introduction

The healthcare security administrations and health commissions of all Provinces, Autonomous Regions, Municipalities directly under the Central Government and the Xinjiang Production and Construction Corps:

In recent years, various regions have actively promoted centralized quantity-based procurement of drugs and medical consumables (hereinafter referred to as "centralized procurement") and overall exceeded the commitment of quantity-based procurement. According to the deployment of the 2024 Government Work Report, in order to strengthen several points such as: the management of the entire process of centralized procurement, effectively adhere to the principle of procurement for use, promote medical institutions and pharmaceutical enterprises to follow and support the centralized quantity-based procurement mechanism, etc., the relevant work is hereby notified as follows:

1. Ensure that selected drugs and consumables are admitted to the hospital

Further support the reporting of closely medical communities. Once the results of the centralized procurement selection are generated, each provincial medical insurance department should promptly organize medical institutions to sign procurement agreements with the selected enterprises. Starting from the third month after the implementation of the results of each batch, shall be organized a round of problems investigation on the admission of selected drugs and consumables to medical institutions in the region, moreover medical institutions that have not yet completed the admission procurement should be urged to complete the admission of selected drugs and consumables as soon as possible.

For medical institutions that implements the “one product, two regulations policy”, in the case of selecting drugs with the same generic name other than the selected drug for admission, it is encouraged to give priority to selecting drugs from enterprises selected through centralized procurement. It’s necessary actively encouraging village clinics (community health service

[1] Translated by Health Law Asia – Pharmaceutical, Medical Device, and Cosmetics Law

centers/stations), private medical institutions and retail pharmacies to participate in centralized procurement, making it convenient for the public to purchase selected drugs nearby.

2. Improve the management level of selected drugs and consumables usage

Medical institutions should improve their internal assessment methods and salary systems, establish a mechanism for allocating surplus funds from centralized procurement and mainly use them to improve the salary and benefits of medical staff. The selected drugs from centralized procurement should be used reasonably in accordance with clinical technical specifications.

The notice specifies the urgence of intensifying the evaluation of centralized procurement varieties in prescription reviews and regularly reporting departments and doctors who unreasonably use high priced non selected drugs in large quantities. If doctors prescribe high priced non selected drugs without justifiable reasons, they shall be treated in accordance with relevant prescription management regulations. Furthermore, the notice encourages national medical centers and industry associations to fully play their roles, develop and improve medication guidelines, organize real-world research on selected drugs and consumables through centralized procurement. It also encourages national medical centers and industry associations to fully provide scientific guidance for rational and prioritized use.

3. Implement the policy of retaining surplus from centralized procurement

Medical institutions will be incentivized to retain surplus medical insurance funds saved through national and provincial centralized procurement in accordance with relevant regulations. After the end of each procurement year for each batch of centralized procurement, provincial medical insurance departments should supervise and guide the overall planning areas to complete the assessment, calculation and disbursement work in the next year.

Moreover, provincial medical insurance departments should explain the nature of funds and calculation basis to medical institutions. The calculation of surplus retained funds should be based on the reported quantity of medical institutions and the actual usage should be considered for allocation. Unreported varieties will not be allocated as surplus retained funds. Another purpose is ensuring the connection between the policy of retaining surplus from centralized procurement and the incentive and restraint mechanism for payment method reform, so as comprehensively reflecting the positive incentives for medical institutions to purchase and use selected drugs and consumables.

4. Explore the collaborative linkage of medical service prices

Consumables that are charged separately outside of medical service price items should be prioritized for inclusion in the current year's price adjustment evaluation scope. If necessary,

implementing special adjustments and accelerating the implementation of adjustments for current prices lower than the median prices in surrounding areas or across the country.

Furthermore, it's necessary exploring the development of differentiated pricing policies, with priority given to medical institutions that use selected drugs and consumables as required. It's necessary promoting deferred implementation of price adjustment results for medical institutions that do not use selected drugs and consumables as required. If consumables are included in the medical service price items and charged, the medical service price should be dynamically adjusted based on changes in consumables procurement costs to effectively reflect labor costs.

5. Strengthen the management of online prices for centralized procurement varieties

Selected drugs and consumables in centralized procurement should be promptly listed on provincial pharmaceutical procurement platforms and their prices adjusted. The newly added centralized procurement varieties of the selected enterprises should be priced on the internet based on the differential price relationship of the selected drugs. It's necessary arranging a good project in the online listing and price management of non-selected drugs and consumables.

For non-selected drugs and consumables with prices higher than the maximum online price stipulated by relevant policies, measures such as suspending procurement and withdrawing from the internet will be taken. Regarding the situation of selected and non-selected medical consumable components that are combined to form a high-priced system and widely used, local medical insurance departments should remind medical institutions to standardize procurement and use. Moreover, supervision for selected enterprises should be indispensable to constrain agents and distribution enterprises to provide selected systems according to regulations. If necessary, distribution relationships should be adjusted.

6. Improving the regular monitoring mechanism

Provincial medical insurance departments should guide the centralized purchasing agencies to rely on the national unified medical insurance information platform for drugs and medical consumables procurement management subsystem and enhance the ability to monitor the implementation of centralized purchasing through information technology. It's necessary to monitor the procurement progress and proportion of each procurement variety and medical institution.

For selected drugs and consumables with procurement progress lower than the chronological progress and non-selected drugs and consumables with a high proportion of the total procurement of the same variety of drugs and consumables, automatic warnings will be issued through the information system. The Joint Procurement Office shall conduct a monthly summary and analysis of the implementation of the national organization's centralized procurement,

selection results and regular reports on provinces and varieties with significant delays in procurement progress. Provincial medical insurance departments regularly report on cities and key medical institutions that have failed to implement their policies effectively.

Provincial and inter provincial alliance centralized procurement varieties shall be monitored and reported by the provincial medical insurance departments in accordance with the national practice of organizing centralized procurement. City level medical insurance departments should play a good supervisory role, grasp the procurement situation of medical institutions' centralized procurement varieties within their jurisdiction and promptly report supply and distribution problems to provincial medical insurance departments for coordination and resolution.

In order to focus on centralized procurement varieties, it's necessary developing unified settlement on provincial platforms, strengthening the supervision of settlement situations and promoting direct settlement of centralized procurement of drugs and consumables between medical insurance funds and pharmaceutical enterprises.

7. Optimize the assessment method and avoid a "one size fits all" approach

After completing the agreed procurement quantity, medical institutions should still prioritize the purchase and use of selected drugs and consumables as required. If the agreed purchase quantity is not completed or the proportion of non-selected drugs and consumables exceeds the prescribed requirements, the relevant varieties shall be deemed as unqualified in the assessment. If there are significant changes in clinical demand due to inclusion in the national and provincial key monitoring list of rational drug use, public health incidents, changes in clinical guideline drug recommendation levels, etc., and medical institutions fail to complete the agreed purchase quantity of selected drugs, the completion of the agreed purchase quantity of selected drugs may not be assessed.

For special varieties such as shortage drugs, emergency rescue and seasonal medication, ensuring their supply should be taken as an important consideration factor. Medical institutions purchasing drugs from back-up enterprises, as well as non-selected drugs or alternative drugs with prices lower than the selected drugs and achieving the same quality and efficacy, are not included in the scope of implementation assessment. If a medical institution reports supply problems with the selected drugs, after verification by the local medical insurance department, the medical institution's purchase of drugs from back-up enterprises can be directly regarded as the purchase of selected drugs and enjoy the policy of retaining surplus medical insurance funds.

Regarding the procurement of non-selected drugs, the corresponding dosage is not included in the assessment scope of centralized procurement execution. It's necessary strengthening the organic connection between the implementation assessment of essential drugs and centralized procurement drugs and forming a policy synergy.

8. Improve the collection and procurement work consultation mechanism

Provincial medical insurance departments will take the lead in working with health and related departments, medical institutions, selected enterprises, etc. to improve the consultation and disposal mechanism for centralized procurement work. For issues reported by medical institutions such as insufficient supply, delayed delivery, selective delivery, failure to deliver after the agreed purchase quantity is completed, as well as inappropriate drug dosage form specifications, unreasonable packaging and unclear batch number printing, it is necessary to strengthen work consultation, smooth communication channels and clarify the response time nodes.

Moreover, Improving the credit management system for drug supply enterprises and address the behavior of selected enterprises that do not distribute drugs and affect clinical medication. The consultation and disposal mechanisms in various regions should further clarify the specific requirements for the sustained and stable supply of selected drugs and specify the exceptional measures for medical institutions to reasonably choose alternative drugs.

9. Collaborative promotion of comprehensive industry supervision

Each region should promote the formation of a guidance that encourages the priority use of selected drugs and consumables; and connect it with the joint work mechanism for correcting unhealthy practices in the fields of pharmaceutical purchase-sales and medical services. Moreover, each region should collaborate with relevant departments to analyze and judge clues of unethical practices such as “selling with gold” and handling them in accordance with responsibilities, authorities, laws and regulations.

For medical institutions that unreasonably fail to prioritize the use of selected drugs and consumables according to regulations, measures such as reminders and notifications shall be taken. If the circumstances are serious, joint interviews shall be conducted by the medical insurance and health departments. If necessary, relevant clues shall be transferred to disciplinary inspection and supervision agencies.

10. Strengthen policy interpretation and publicity training

Medical insurance and health departments at all levels should enhance their political stance, accurately interpret the policy of centralized and quantity-based procurement of medicine. They should guide medical staff and patients to further understand the significant of centralized procurement reform.

Medical insurance departments in various regions should organize a round of surplus retention policy training for medical institutions within their jurisdiction in conjunction with the health department. They shall require the dean in charge and department heads in charge of

pharmaceuticals, consumables, medical insurance, finance, etc. to attend and explain the logical connotation, calculation method, assessment requirements and fund use of the surplus retention policy, in order to guide medical institutions to achieve win-win results in standardized implementation.

National Healthcare Security Administration

National Health Commission

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