Event Summary
Health and Life Sciences Committee

Day, date : Wednesday, 30 October 2019
Venue, time : WeWork Menara Astra, 08.00 – 11.30
Agenda:
- Opening Remarks
  - Landry Subianto (Chief Country Representative US-ABC Indonesia; and)
  - Eka Wahyuni (Advocacy Manager EuroCham Indonesia).
- Panel Session
  - Martin Sirait, (Directorate of Public Drug Management and Health Supplies, Ministry of Health)
  - Sumanto, (Head Section of Government Procurement, Ministry of Health)
  - Arief Fadillah, (Head of State Finance Sub. Auditory VI A, Auditory Board)
  - Tri Susanto, (Directorate of Development of Public Procurement Strategies and Policies National Public Procurement Agency (LKPP))
  - Reswita D. Gisriani (Moderator, Head of Market Access and Government Affairs Indonesia Medtronic)

Introduction
On October 30, 2019, US-ASEAN Business Council in collaboration with EuroCham conducted Focus Group Discussions (FGD) on Provisions for Procurement of Medical Devices in UHC/JKN in order to obtain the clarity on the public procurement policy for medical devices.

Under the Presidential Regulation 16/2018 the procurement of drugs and medical devices by the Government has now been carried out through electronic procurement system referring to the electronic catalogue. Following National Public Procurement Agency Regulation 9/2018 as the implementing regulations, there still particular conditions that could lead to confusion in practices of the procurement by hospitals, in apprehensions toward compliance from the auditor perspectives.

Universal Health Coverage (UHC)

- the Universal Health Coverage (UHC) started on January 1, 2014 and as a form of social protection to guarantee all people to be able to fulfill their basic needs of a decent life. This program is part of the national social security system that is implemented using a mandatory social health insurance mechanism. The legal basis is Law No. 40 of 2004 concerning the National Social Security System with the aim of meeting the basic needs of proper public health.
• The UHC partners are government and private health facilities and pharmacies. To fulfill the needs of drugs in health facilities is through e-catalog and non-e-catalog, only hospitals usually object to non-e-catalog because of the large number of documents requirements that may hamper the availability of drugs. To meet the drug needs for the UHC program, currently there are 1,136 health facilities, including; 649 private health facilities and 487 pharmacies. Meanwhile, medical devices are not yet available because there are fears of misuse, for example by using e-catalogs to get the goods at low prices and then for resale, so the availability of medical devices is limited.

• The direction of the UHC policy in the RPJMN 2020-2024, namely improving access and quality of services, strengthening basic health services, and increasing promotive and preventive efforts. This is fulfilled through Innovation & technology utilization by ensuring the availability of safe, quality and useful Medical Devices.

• Based on the latest data June 2019, only 7-10% medical devices industries are listed under e-catalogue and only 35% of active registration letters are listed under e-catalogue. These gaps create supply gap for hospital, clinic and puskesmas to full fill needs in JKN era. Thus, required clear and simplified process for healthcare service in doing procurement for medical devices and laboratory tools outside e-catalogue.

• Some unique characteristics of devices and diagnostics make application of current e-catalogue models to these technologies challenging. Devices evolve through iterative innovation and are frequently modified once on the market. The innovation cycle of a medical device is an average of two years, with new and improved iterations becoming available much faster than is typical for other technologies, such as drugs, making it difficult to be tendered only 1 or 2 times a year to fulfil JKN needs.

Several Procurement methods

• Procurement can be done by several methods, one of it is e-catalog, as regulated by Presidential Regulation no. 16/2018 concerning Procurement of Goods / Services. The regulation basically states that Procurement is a Goods / Service Procurement activity by the Ministry / Institution / Regional Apparatus funded by the State Budget / Regional Budget, the process of which is from the identification of needs, up to the handover of work results.

• There are 5 (five) procurement methods based on Presidential Regulation No.16/2018. Namely, direct procurement, e-purchasing, direct appointment, fast tender, and tender selection. Direct procurement can be done if the goods needed are not yet available in the e-catalogue or the system is down. Furthermore, direct procurement can be done if the procurement value is below Rp. 200 million, this procurement is carried out by related procurement officials. Direct procurement can be used if it meets certain conditions, for example, the number of goods available is small, as mentioned in article 35.

• The utilization of those procurement methods outside e-catalogue is still low due to unclear process and complex process thus healthcare provider tend to delay fulfilment due to this fear.

• The article 72 paragraph 4 states that the selection of e-catalog products is carried out by the tender and negotiation method. Conducting the selection of providers other than through an e-catalog is permissible but there must be justification for the BPK. The selection of providers
other which is permitted includes E-purchasing, Online Purchasing, Direct Appointment, Direct Procurement, and Quick Tenders. Although there is indeed fear in the Ministry of Health related to procurement other than through e-catalog because there are many findings from the BPK, although currently there are 62 items that have been aired on e-catalog.

**Exception**

- Presidential Regulation no. 16/2018 mentions exceptions of procurement outside e-purchasing. Law No. 1/2004 and Government Regulation No. 23/2005 regulates the special procurement. Special procurement is carried out by the Public Service Agency in charge of providing services to the public in the form of the supply of goods and / or services. Public Service Board provides flexibility in financial management. Public Service Bodies in the central or regional government can arrange their own goods / services procurement from procurement planning, procurement preparation, election preparation, election implementation, to contract implementation.

**Problems Related to Procurement**

- However, there are still confusing regulations, Presidential Regulation No.82 / 2018 article 60 states that the procurement of drugs, medical devices and / or medical materials is carried out through e-purchasing based on an electronic catalog. Procurement can be done manually based on an electronic catalog if it has not been done by e-Purchasing. Other regulation that also causing confusing is Ministry of Home Affairs Regulation No. 79/2018 concerning the Public Service Agency. This regulation states that procurement cannot be done through the Public Service Agency. For BPK, if there is a case where there is a dispute between regulations between institution, BPK suggest for related stakeholders to aligning this dispute as soon as.

In addition, in the audit process, auditees and providers will be examined as well. • Several problems on utilizing the health budget in the UHC program as identified by BPK: drugs / vaccines / BMHP were not available or expired, infrastructure was delayed or not available, and the budget was not realized. As a result, services are not optimal, promotive and preventive efforts are not implemented, referrals are increasing, waste of state finances, and state losses.
- There are at least 10 problems related to procurement of government goods and services in general. Fictitious procurement of goods, mark-up prices for procurement of goods and services, and overpayments to suppliers of goods and services from lack of volume of work or non-conformity of the specifications of the goods held, penalty for late completion of work is not imposed on providers of goods and services, there is a transfer of sub contracts that are not in accordance with applicable regulations, procurement of goods not through e-catalog, solving work packages with the aim of avoiding auctions, expensive goods and services, wasteful, and ineffective.

**Further Development of e-Catalog**

- E-catalog development continues, one of which is being discussed at LKPP is about making user reviews for e-catalogs, such as e-commerce that is held privately, the aim is to ensure product quality through peer-review. During this time LKPP act decisively if there is a difference between the product aired and received by the user, this is categorized as one achievement,
and therefore we will take-down the product from the system. We always ensure that the specifications entered into the e-catalog are the same as the products displayed on the e-catalog. On the side of the Ministry of Health, the problem of specification differences is often caused by users who do not report the existence of these problems, making it difficult to impose sanctions.

**Input and recommendation for sectoral e-Catalog**

- Technical requirements for existing e-catalogs are time-consuming and costly. One of the concerns of businesses in the field of medical devices is the obligation to attach PIB (Notification of Imported Goods) documents. The main obstacle is due to the characteristics of medical devices whose technology is developing so rapidly that almost every time business operators ship to import new goods with technology that does not yet exist in Indonesia, it is required to be included with PIB documents. The importation of goods to only get the PIB for e-catalog listing will incur around 17.5 – 25% cost (tax, duty, charges) of the product value. Thus, the recommendation from business actors is whether the government can introduce new requirement which allow the use of other documents to replace PIB. For example, by using sales contracts and affidavits whose legal status is equivalent to PIB documents. The second alternative is with the document “temporary import PIB” which gets exemption from import duty.

- In relation to the late payment of the hospital to medical device supplier due to late payment of BPJS to the hospital, which impact to the medical device business environment, the recommendation is to introduce direct payment from budget owner (i.e. MoH Financial Bureau, etc.) to Medical Device distributor through eCatalog system; ePayment system.

- In refer to current negotiation features under e-catalogue, create possibility for corruption. Suggest to change this negotiation features as the publish price in e-catalogue has been negotiated by MoH. And change this feature into option features such as large quantity purchases and price component additions.

- Suggestion to include feature star rating and review to show industry performance as part of reason healthcare providers select the device.

In refer to the unique characteristics of devices and diagnostics make application of current e-catalogue models to these technologies challenging and create uncertain business ecosystem for industries. Therefore, required a clear blue-print from MoH regarding timeline for tendering in a year (such as every Q1 and Q3), technical instruction on how to add or change medical device specs in middle of e-catalogue contract, or possibility to engage e-commerce as alternative of sectoral e-catalogue.
Action Item

- To initiate another FGDs with related stakeholder in aim creating better alignment for procurement ecosystem such as with MoF, BAPPENAS, and related stakeholders. And to update the features in current e-catalogue website (e-payment, remove negotiation feature, and add star rating and review).
- To have join letter between MoH. LKPP and related stakeholders for better and clear mechanism/procedure of procurement process outside e-catalogue as regulated in presidential regulation No 16/2018.
- To have recommendation for sectoral e-catalogue in term of procurement models, required document, blue-print, technical instruction and also possibility to engage ecommerce as alternative.

Meeting was adjourned on 11.45 hours.

*Slides presentation material are attached in separate files.*