Executive summary

In ageing societies, the quality and efficiency of healthcare services are increasingly attracting governments’ attention and citizens’ interest. While the amount of healthcare spending per capita is a baseline indicator, it is not the only determinant of how well a health system functions. Governments must also be careful to spend effectively. The Mexican Institute of Social Security (Instituto Mexicano de Seguro Social, IMSS) provides healthcare services to over 75 million inhabitants and is a key institution in Mexico’s fragmented health system. Public procurement – which represents almost one-third of government expenditure in OECD countries – provides sizeable opportunities for maximising the efficiency of healthcare spending. In Mexico, one of the lowest per-capita spenders in healthcare in the OECD, efficiency is even more vital.

In 2012, IMSS asked the OECD to peer review its procurement organisation and practices. Implementing the OECD’s policy recommendations has brought tangible benefits to the Institute. However, strengthening public procurement requires continuous assessment of the effectiveness of strategies and processes to ensure that they remain relevant and have an optimal impact on public service delivery. IMSS therefore invited the OECD to review progress made in implementing the previous policy recommendations and suggest improvements, taking into account evolutions of the healthcare system and organisational changes in the Institute.

This second peer review highlights IMSS’s achievements in a number of areas that are pivotal for transforming its procurement operations. Overall, IMSS has improved its procurement efficiency and developed strong competition in the markets in which it operates, allowing it to lead the largest consolidated procurement scheme in the Mexican public sector.

Consolidated tenders for medicines – begun in 2011 – have demonstrated their efficiency, increasing participation by public institutions at all levels and extending the coverage of products. Between 2013 and 2016, these institutions saved more than MXN 14 billion, 60% of which can be attributed to IMSS. This procurement technique also supported productivity growth, with 18% more medicines procured with the same amount of resources between 2012 and 2017.

IMSS’s has begun to develop a skilled procurement workforce able to implement complex procurement strategies in a highly technical environment. Centralised procurement information and dashboards provide crucial data on trends and patterns to help IMSS take informed decisions.

IMSS has also reinforced its supplier management. Following the OECD’s recommendation to strengthen sanctions for contract non-compliance, IMSS has increased its oversight of contractor performance, allowing it to avoid costs of MXN 275 million in 2016 alone. IMSS has also matched medicine delivery strategies to the local practices and constraints identified in the previous review. A “consumption on demand”
strategy implemented in 2016 to prevent medicine supply disruption in its pharmacies and hospitals now allows patients to receive their prescribed medicines in 99.4% of cases.

To ensure that the market responds to the Institute’s needs and patients’ demands, IMSS regularly involves pharmaceutical institutes and business associations in the design of procurement strategies and tender documentation.

Healthcare and procurement are both particularly vulnerable to corruption, fraud, waste and mismanagement, ultimately affecting patients. IMSS has therefore brought its internal control system and risk management activities in line with Mexican and international standards. It has dedicated entities that champion risk management activities, refined its risk assessments and improved training to raise awareness about corruption and fraud risks.

Despite the progress achieved, the review found areas where IMSS can further improve procurement in order to provide high-quality, cost-effective healthcare services to citizens.

**Key recommendations**

IMSS should continue to **develop a skilled and motivated procurement workforce** able to carry out complex procurement operations efficiently. Actions required include a skills gap analysis and a continuous training action plan. An attractive professional career path would also reduce excessive staff turnover, which is undermining investments in professionalisation programmes.

IMSS could use data better to inform decisions, starting with the **consistent and structured collection of procurement information** from all its entities. IMSS should also ensure that current technological developments are aligned with procurement practices and that they support strategic public procurement. This would require greater co-ordination and co-operation with the Ministry of Public Administration, and between the national e-Procurement system CompraNet and IMSS’s internal procurement platform.

Despite the benefits of IMSS’s current procurement strategies, they need **constant adjustment**. For example, aggressive procurement strategies such as reverse auctions are starting to show diminishing returns and are tainting suppliers’ perceptions of IMSS’s objectives. Opportunities to maximise savings should be explored, such as integrating lifecycle costing assessments and measuring the impact of procurement outcomes on patients’ length of stay in hospitals. There are also opportunities to minimise the risks of excessive market concentration or collusion in certain procurement strategies, such as large, repetitive and predictable consolidated tenders.

IMSS could improve the quality of its healthcare services through better supplier management, for example **shifting from ensuring compliance to promoting performance**. Transparent interactions with suppliers and business associations at all stages of the procurement cycle will provide a better understanding of opportunities and challenges.

The IMSS risk management framework should include clear responsibilities, critical areas in the procurement cycle and its tolerance for risk. In addition to reinforcing oversight by the Ministry of Public Administration and the Mexican Supreme Audit Institution, these measures would support **strategic risk-taking** and the development of innovative procurement strategies.
Being the largest public buyer in Mexico, IMSS’s procurement decisions could support broader national policy objectives. Greater alignment of procurement strategies with national health priorities would provide sizeable benefits. For instance, IMSS could increase bidding periods and production lead time to allow smaller manufacturers of generic drugs to participate. Doubling the penetration rate of generic drugs would save Mexican households more than MXN 2.2 billion a year, contributing to the objective of universal access to healthcare.

Finally, IMSS could benefit from international experience to promote innovation. In OECD countries, such as the United Kingdom or France, innovative technological solutions have provided better healthcare services. IMSS has recently made progress but would need to develop output-based technical specifications or engage earlier with markets to promote innovative solutions.