



MBA/Masters

Case Competition Phase 2

Case

Free Health Care in Gombala

A CONTINUATION OF...

Managing Health Care Supply Chains in Gombala

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This case was written by Professor Ananth Iyer, Susan Bulkeley Butler Chair in Operations Management at the Krannert School of Management, Purdue University. It is meant solely as a vehicle for teaching, learning and class discussion. The data and details provided in the case are completely fictitious.

Nick Van DeCamp and Adbou Diallo had been on the phone for over one hour as they reviewed details of a speech by the President of Gombala. The previous day, February 9, was Gombala's Independence Day and it was traditional for the President to make key announcements. Nick had the text of the speech in front of him, but he was particularly focused on the portion that dealt with health care in Gombala. The President said...

"From today onwards, all children below the age of five and all pregnant women will be entitled to free health care at any clinic in Gombala. Free means you pay nothing – for tests, for treatment, for medicine. I thank the citizens of Europa (a European country) for its generosity in funding this initiative. I look forward to the day when we will offer a quality of health care that will be accepted as a world standard for a developing country such as ours."

Nick had also received a document from Adbou that suggested that once free health care would be announced, a large number of Gombalans classified as the "poorest of the poor" (with less than \$ 1 of income per day) would flood into clinics across the country- an estimated 2 million potential patients. Adbou had been worried about where people would go – to their closest hospital or to the large clinics in the city.

Nick had also been told that while Europa had committed to assist, the constraint was that Gombala's Ministry of health would have to create a forecast of medicines required in each sub region and its hospital. This information would be sent to the UNICEF central medical procurement in Copenhagen. UNICEF would then pick and pack the medicine and ship it directly to the sub region. The lead time for this order placement and delivery was four months. Thus, Europa funds would be converted to medicine and shipped to hospitals.

Adbou and Nick worried about what would happen to resources available at hospitals. In the past, doctors and nurses never received their salaries in time. This caused about 60% of the people working in hospitals to be labeled "volunteers". These volunteers often charged money to individual patients for helping them. If many patients stopped paying, would these volunteers go away? What about the midwives who supervised deliveries? Who would pay them if the patient refused? Would availability of midwives decrease and thus lead to more medical emergencies?

Most donors had been adamant that they would never pay for any medicines purchased from the private supply chains. Nick and Adbou wondered if there was a way to guarantee medicine availability by providing a voucher to patients (entitled to free health care) when the hospital ran out of inventory. That way, patients could go to a private pharmacy and get the medicine for free (using the voucher to pay for it). But Nick worried that such a scheme could be subject to manipulation and may, in fact, incent poor forecasts. Adbou seemed less worried, but was more concerned about the quality of the medicines sold y private pharmacists.

Finally, both Nick and Adbou had wondered if the medicines provided for the free health care would leak into the rest of the system and cause the Gombalan government to further reduce their support for health care. How could the system be structured to continue to improve health care for all? Nick was aware that in the current system (before free health care) patient fees covered many costs – such as

maintenance, salary support etc at the hospitals. He wondered where the money for such coverage would come from, as many patients (i.e., those entitled to free health care) stopped paying. How would the system provide services for all without raising fees for the remaining patients?

Nick and Adbou had one day to influence changes to the system while maintaining the spirit of the President's comments. Nick had a feeling that unless planned carefully, free health care could generate worse outcomes for Gombala.

Perhaps a team of MBA students can provide some quick help to Nick and Adbou – ***and you are that team.***