

Inventory Management: Importance of Supply Management & Control

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"Beware of the man who won't be bothered by details"

William Feather (1908 - 1976)

Inventory Management

The devil's in the details

Inventory

- *n.* An itemized list or catalog of goods, property, etc.; esp. such a list of the stock of a business, taken annually
- *n.* The store of goods, etc. that are or may be so listed; stock
- *v.* to make an inventory of stock on hand

ASC Inventory

- Medical supplies
- Drugs
- Gases
- Implants
- Lenses
- Equipment
- Packs
- Sutures
- Office Supplies

Glossary

- Physical location – **EVERY** area that contains inventory items. Create location code for computer system
- Inventory count sheets – generated from computer system

Glossary

- Consignment items – inventory owned by 3rd party but kept at ASC until used. Items are not included in inventory counts.
- Par levels – Maximum and minimum levels per item; used to generate ideal reordering point

Glossary

- Preference cards – List of physician preferences for each case performed; includes supplies, equipment, music, patient position, etc.
 - Used for pulling supplies
 - Billing
 - Case costing
 - Inventory tracking

Glossary

- Unit of measure – smallest quantity that can be utilized and to which a cost can be assigned; unit used for case costing
- Purchase order – record of item(s) purchased by date, vendor, mfr. order number, cost
 - Each PO should be unique
 - Maintain numerical system for POs
 - Each PO should be accounted for

Glossary

- Packing slip – list of items enclosed in each box/package received in facility
 - Verify items are present
 - Note back orders
 - Reconcile packing slip with PO
- Invoice – Itemized list of goods shipped or services rendered, stating quantities, prices, fees, shipping charges, etc.; bill

Glossary

- Credit memo – Credit applied to returned, damaged, or otherwise not used items and resulting in credit to the center
- Rebates – Monies that are earned as a result of achieving or maintaining a threshold for purchases according to a contract

Glossary

- Velocity reports – Reports generated by distributor or vendor and sorted by dollars spent or number of items purchased during a specific time period. May be called a purchase history.

Materials Management Process

- Materials Management role
- Internal controls – Assigns authorization to purchase, establishes control of assets, allows for valuation of goods
- Maintenance of inventory information
 - current
 - loaded in computer system
 - verified upon ordering and again when invoiced

Materials Management Processes

- Ensuring accuracy
- Every item is entered into computer
 - POs account for every item ordered
 - Limits should be in place that establish the point at which the Administrator must authorize a purchase
 - Accurate quantity, cost & description must be maintained

Accounts Payable

- Policies & procedures should be clear
- Beneficially time the payments
- Utilize QuickBooks (*vendors hate QuickBooks*)
- Consider terms (Are discounts for prompt payment available?)
- Ensure vendor addresses are current in computer
- Avoid penalties for late payments

Inventory Process

- Start process before the center opens
- Allow several weeks
- Train personnel
- Load each item in computer
- Load all preference cards

Inventory Process

- Ensure accuracy of information
- Standardize categories
 - Sponges, 4 x 4s
 - Raytex, 4 x 4s
 - Sponges, 4 x 4 dressing
 - 4 x 4s, sterile

Inventory Process

- Assign 1 person to enter data
- Allow for pitfalls
 - Time – lots of time
 - Preference cards - may not be easy to get
 - Complete vendor information for each item
 - Determine unit (each) costs
 - Assign global charge for pre-op & PACU
 - Assign locations to items loaded in system
 - Remember: "Nurses are hoarders"

Loading Inventory after Opening

- Very difficult to do
- Must be done systematically
- Enlist help
- Use new center principles
- Consider loading info after hours

Ordering

- Stay on top of it!
- Consider frequency of deliveries
- Timeliness is critical
 - Avoid drop ship charges
- Drugs – let a nurse order these
- JIT inventory – can it work in the center?
- Consignment options
- Implants

Points of Service

- GPO
- Distributor
- Vendor
- Sales rep
- Website
- Materials Manager
- AP clerk

Dealing with GPOs (Group Purchasing Organizations)

- Benefits
- Consider:
 - Contract implementation
 - Pricing file maintenance
 - Product standardization
 - Conversion process
 - Tiers

Dealing with GPOs

- Contract compliance
 - Pricing audits
 - Velocity reports (usage audits)
 - Resolution of problems
 - Rebates
- Number of **your** major suppliers on contract

Possible Issues

- ASC is not on contract list
- Item or mfr. not on contract
 - Request local contract

Shopping for GPO

- Pricing – many have no yearly fees
- Service
- Manufacturers on contract

Distributors

- Reports available
- Service levels
 - Items ordered vs. items shipped
 - In stock vs. non-stock items
- Par level maintenance
- Contract compliance
 - Pricing loaded accurately
- Product changes
- Discrepancy resolution
- Credit processing
- Invoice accuracy

Distributors

- Consider:
 - Where does shipping originate?
 - How are items shipped?
 - What days of the week do items ship?
 - Is there a charge for shipping?

Possible Issues - Distributors

- Price changes not communicated
- Changes in packaging or packaging count
- Minimum order quantity unmet
- Product substitutions
- Broken case price variations
- Prices quoted do not include distributor mark-up
- Special mark-up for contracted items – larger mark-up for non-contracted but available items

Vendors & Sales Reps

- Your partners
- Allies or foes
- Honesty & integrity
- Triangulation
- Availability
- Service
- Interaction with staff
- Knowledge of OR environment

When ordering consider

- cost of items, inc. freight charges,
- frequency of delivery,
- vendor truck or commercial carrier
- payment terms;
 - Due on receipt
 - Net 10
 - Net 30
 - 2% discount if pd within 15 days
 - Any time?

Also,

- return goods policy,
 - Restock charges
 - Credit only
- flexibility in UOM orders,
- minimum orders,
- contract price thresholds;

Also,

- availability,
 - Special orders
 - Non-stock orders
 - Standing order management
- service,
- back order rate,
- invoice accuracy,
- ease of ordering.

Back Orders

- Critical to operations
- Make distributors prove their history of back orders
 - They may quote BO rates when trying to sell themselves

Achieving Efficiencies

- Standardize
- Hold vendor fairs
- Conduct product evaluations
- Involve physicians and staff
- Educate staff & MDs on costs
- Limit number of products per category
- Cut down on middle men

Tips

- Date items upon receipt
- Pick cases at least 2 days in advance
- Review schedule 1 week in advance
- Rotate stock
- Limit location where supplies are kept
- Keep no more than 2 day supply of goods in ORs, bedside stands

Educate

- Post pricing on bins
- Include pricing on preference cards
- Have fun with training:
 - Price Is Right
 - Let's Make a Deal
 - Jeopardy

Educate

- Track savings achieved by careful purchasing & use
- Annualize savings if different vendors are chosen
- Involve everyone in case costing - EVERYONE

Contact Information

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