

Moving the Needle on Supply Chain Management

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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

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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
 - Establish limits that establish the point at which the Administrator must authorize a purchase
 - Maintain accurate quantity, cost & description of items

Accounts Payable

- Policies & procedures should be clear
- 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
- Most software products have an inventory module
 - *Problem – It's not used or only partially used*

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 required to set up
 - 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)

- Consider:
- Benefits
 - 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 paid 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
- Distributor should provide 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

Audit

(Excel spreadsheet is available upon request)

Many thanks to Rob Westergard, CFO, ASCOA for permission to use the audit



Supply Categories - Sample

| Category | Classification | Prefix/Category Quick Code | Description |
|----------------|----------------|----------------------------|---|
| ANESTHESIA | Leave Blank | ANES | All Anesthesia supplies, such as airways, ET tubes, circuits, does not include drugs |
| BATTERIES | Leave Blank | BATT | Batteries |
| BLADES | Leave Blank | BLD | Knife blades, such as #11, #15, #10, beaver, does not include shavers, etc. Those should be entered under service specific supplies |
| BULBS | Leave Blank | BULB | All bulbs, overhead, surgical lights, microscope, headlights, etc. |
| BURR | Leave Blank | BURR | All burrs for all services |
| CANNULA | Leave Blank | CAN | Cannulas for all services |
| CAST | Leave Blank | CAST | All casting supplies, includes plaster and fiberglass casting material, padding |
| CATHETERS | Leave Blank | CATH | All catheters with the exception of IV catheters |
| CAUTERY | Leave Blank | CAUT | All cautery supplies, pads, electrodes, jelly, etc |
| CLIP | Leave Blank | CLIP | All endo clips, etc |
| CENTRAL SUPPLY | Leave Blank | CSP | includes diapers, sanitary pads, slippers, other items NEC |
| CONSIGNMENT | Leave Bland | CON | All items on consignment i.e. not paid for until used |
| CURETTES | Leave Blank | CUR | Curettes |

Supply Categories

| | | | |
|--------------|-------------|------|---|
| DRAINS | Leave Blank | DRN | All drains, penrose, J-vacs, Hemovacs |
| DRAPES | Drapes | DRP | All drapes not included in packs or trays, such as table covers, sleeves, mayo stand covers |
| DRILL | Leave Blank | DRL | All drill bits (not Burrs) |
| DRESSING | Dressings | DSG | All dressings, xeroform, vaseline gauze, telfa, opsite |
| ENT | Leave Blank | ENT | All supplies unique to ENT |
| EYE | Leave Blank | EYE | All supplies unique to Ophthalmology (excluding lenses) |
| GARMENTS | Leave Blank | GARM | All garments bras, abdominal binders, etc. |
| GENERAL | Leave Blank | GEN | General supplies that are used throughout the center, NEC |
| GI | Leave Blank | GI | All supplies unique to Gastroenterology |
| GLOVES | Leave Blank | GLV | Gloves |
| GOWNS | Leave Blank | GWN | Gowns including sterile and non sterile |
| GU | Leave Blank | GU | All supplies unique to Genitourinary cases |
| GYN | Leave Blank | GYN | All supplies unique to Gynecology cases |
| HOUSEKEEPING | Leave Blank | HSKP | All cleaning supplies not used exclusively in CST |
| ID | Office | ID | ID Bands |

Supply Categories

| | | | |
|-----------------|---------------------|-------|--|
| IMPLANTS | Implant/Prosthetics | IMP | All implants for all specialties |
| IRRIGATION | Leave Blank | IRR | Irrigation fluids like pour sterile water and saline, 1000cc and 3000cc bags used as surgical irrigation |
| IV | Leave Blank | IV | IV Solutions |
| IV SUPPLIES | Leave Blank | IVSU | IV supplies, includes all catheters, tubings, extensions, microdrips etc. |
| LABORATORY | Leave Blank | LAB | Includes all pregnancy tests, strips and controls for lab tests |
| LABELS | Office | LBL | All labels, labeling supplies, does include anesthesia drug labels |
| LAPAROSCOPY | Leave Blank | LAP | Includes all supplies unique to laparoscopies; excludes trocars |
| NEEDLES | Leave Blank | NDL | Includes only those not attached to syringes |
| NUTRITION | Leave Blank | NUT | Nutrition |
| OFFICE | Office | OFF | Office Supplies |
| ORTHOPEDICS | Leave Blank | ORTHO | All supplies unique to Orthopedics, spine, and podiatry, post op shoes, pumps, anchors |
| PACKS AND TRAYS | Drapes | PCK | All custom trays and packs |
| PAIN | Leave Blank | PAIN | All supplies unique to Pain Management NEC |
| PREP | Leave Blank | PREP | All supplies used in prepping for surgery; ie Betadine Swabs, razors, prep trays. Etc |
| PUNCH | Leave Blank | PNCH | Punches, ie biopsy |

Supply Categories

| | | | |
|-------------------|---------------------|------|--|
| RESPIRATORY | Leave Blank | RESP | Respiratory Supplies |
| MEDICATIONS | Medication | RX | All pharmaceuticals, prescription and non-prescription |
| ANESTHESIA MEDS | Medication | RXA | All drugs unique to Anesthesia, including anesthetic agents |
| SCRUB SUPPLIES | Leave Blank | SCR | All surgical scrub supplies, i.e. brushes, foam, picks, hand sanitizer etc |
| SPONGES | Dressings | SPG | Sponges, raytex, peanuts, kitners, 2X2s, 4X4s |
| STERILE PROC SUPP | Leave Blank | STER | All supplies unique to Sterile Processing, wrap, indicators, pouches |
| SUCTION | Leave Blank | SUCT | All suction supplies excluding tubing |
| SUTURE | Suture | SUT | All Suture and includes Bone Wax |
| SYRINGES | Leave Blank | SYR | including those with needles attached |
| TEMPERATURE | Leave Blank | TEMP | Temperature strips and other supplies |
| TROCAR | Leave Blank | TROC | All trocars |
| TUBE | Leave Blank | TUBE | All tubing that is not listed elsewhere; excludes ENT ear tubes |
| WARMING | Leave Blank | WARM | Warming blankets, boots, etc |
| WIRE | Implant/Prosthetics | WIRE | All k-wires, etc |
| | | | |
| | | | |
| | | | * NEC - Not elsewhere classified |
| | | | * CST - Central Supply |

Questions??????????

Contact Information

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