INVENTORY CONTROL—CAN YOU GET IT WHEN YOU NEED IT?

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Objectives
Define Inventory Control
Discuss two methods of Managing Inventory
Describe at least two order-processing systems

No matter which facility you are employed in, there is always the problem of having enough inventory to meet the needs of the department let alone the entire facility. Whether it be the sponge sticks the ED needs, the total joint trays for the OR or the IV fluids they need on the medical floor, there has to be a record of what is available. We, in the Central Sterile Department, have pick sheets or instrument lists for each of the type of tray we process. Materials/Distribution has a PAR level for each of the supplies they must keep on hand to provide what the facility needs. There is also the Durable Medical Equipment (pumps, SCD machines, etc) that must be provided as ordered throughout the facility. Inventory control/ management is the way the health care facility retains control of the supplies needed while keeping the cost within a reasonable level.

We measure inventory performance by inventory turnover and line-item fill rate. *Inventory turnover* is defined as the annual dollar value of the items issued from a storeroom divided by the dollar value of the supplies stored in the storeroom. In other words, the amount of supply issued from the storeroom in dollar value divided by the dollar value of supply left on the shelf. For example, we gave out 750.00 of a certain product. We had 75.00 of product left on the shelf. This means this product turned over a total of 10 times for the year. This is about average. We would ordinarily like to see about 12 times or once a month for turnover. This ensures the item is used often enough to prevent outdated items being on the shelf.

Line-item fill rate is defined as the percentage of ordered supplies that are filled from stock on hand. In other words, Unit A orders 10 stop cocks. The supply room/materials can only deliver 7, therefore the line-item fill rate is 70%. The supply room can then do what is considered a capable to fill promise. In other words, the supply room can give the requesting unit an expected date of completion based on the knowledge of when the item was ordered, when shipped and when it got to the distribution center; then to the facility's loading dock. This allows the requesting unit to decide if they really want the item when it arrives or tell the supply room to cancel the unfilled portion of the order.

One of the big issues with any supply item is obsolesce. This means the item is either not being made anymore, it has reached its' expiration date, or the facility has switched to something else and you still have stock left on the table, so to speak. The problem with obsolete stock, of any kind, is it cost money to buy it and if it doesn't get used for whatever reason, the facility has lost money. For instance, Dr Smith uses a particular type of bone cement doing his total joint cases. Suddenly Dr Smith switches to another brand. It is not really noticed for a period of time the change has occurred. In doing inventory checks, it is noticed the inventory turnover for type A bone cement is now only 2 as opposed to the 16 that had occurred the previous inventory check. As a consequence, there are several boxes of cement that will expire within the next thirty days. How does this get handled?

1. We try and convince Dr Smith to use up the left over product before it expires. Barring that we then
2. Try and find another hospital that will purchase our remaining stock at a lower cost. We still lose money but not quite as much.

Try and get the vendor from whom we purchased Bone Cement A to give us at least a partial credit. But I have to be honest with you, most vendors will not go for this option if the product has been sitting on the shelf for greater than 30 days. This is where a good working relationship with Materials Management comes in handy.

1. T, 2. F, 3. F, 4. F, 5. T, 6. F, 7. F, 8. T, 9. T, 10. F

Because they are continually ordering supplies, they will usually catch something has changed almost before it is noticed by the unit. A good Product Standardization Committee is a necessity in most facilities as any new supply item being requested needs to come thru the PSC for approval. This committee will ask questions such as:

- Why do we need to add this product/
- Is it replacing another item we already have
- Can we use up the current supply
- How much is it going to cost
- How many other units/physicians are going to be using this

Once these questions are answered, the committee will then decide to either add the product, table it for further discussion or deny the product at this time.
Now how do we get the supplies we need for our units?

The most simple is called the requisition form. This involves simply writing out what is needed on a request form and hand carrying it to the supply room and waiting for the item and bringing it back. The problem with this method is how many trips in a day do you care to make? A variation of this called the traveling requisition system has a card (traveling requisition) for each item in inventory. The top part of the card has all the information needed to process an order. For example, it has the item number, the manufacturer, the phone number to place the order and the way its' packaged. The bottom portion is the part the purchasing department fills out and includes the ordering date, the amount ordered, expected delivery date and any price change information. This was designed as a manual system but for the most part has been converted to an electronic form which is easier to keep updated.

Another system is called the perpetual inventory system. This inventory system records each receipt into and out of the supply area. As the quantity on hand falls below the reorder point, an order is placed to bring the item back up to par (normal on hand inventory).

The form for a perpetual inventory system is very similar to the traveling requisition in that it also contains the same manufacturer information, pricing, amount ordered, etc. The difference being each time items are put into or taken out of stock, a line is filled out and it shows the sum total of the item available at that time. This too started out as a manual way of doing ordering but this can also be found computerized and there are several computer software companies that have taken this to a whole new level of tracking. This has been expanded to the point that when an item is entered into the computer as being dispensed, the system will automatically send an order to the manufacturer to reorder the item without having to do this manually.

A computerized system can be a challenge in and of itself. Any system is only as good as the data entered into it. If the information is not updated on a regular basis, the facility will not know what it has on hand and if the current charge is the true cost or a lower charge so we are losing money. Another problem with an inaccurate computer system has to do with improper inventory counts so if an item falls below par, it may not get ordered in a timely fashion. One way that many supply departments handle this is to do periodic cycle counts. This involves counting the items on hand and comparing them against what the perpetual inventory says should be there. Many departments do a cyclic count so that every item in the system gets counted on a regular basis. For instance, the first items counted would be the first 6 items on the list. The next count involves the 2nd set of 6 items and so on down the list until every item is counted and then it is started again.

The day to day challenges of managing inventory can, at times, be overwhelming. With the vast array of items currently used in most facilities, it is not impossible to have as many as 100,000 items in inventory. These must be managed carefully and correctly if we are to continue to be profitable and to have those items on hand that are necessary for our daily work load to flow smoothly.

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Inventory Control—Vol 25-Issue 1 Post Test

1. Inventory control/management is the way the health care facility retains control of the supplies needed while keeping the cost within a reasonable level.
   TRUE FALSE
2. Inventory turnover and line item fill rate measures inventory performance.
   TRUE FALSE
3. *Line-item fill rate* is defined as the percentage of ordered supplies that are filled from special order merchandise.
   TRUE FALSE
4. Obsolete means an item has been improved.
   TRUE FALSE
5. Every vendor will trade out any supply item that is currently on the shelf.
   TRUE FALSE
6. Product Standardization Committees help keep units from ordering items that may already be in use in another unit.
   TRUE FALSE
7. The average turnover rate for an item should be 12 times a year or once a month.
   TRUE FALSE
8. Requisition forms are considered to be the most complicated way to get supplies.
   TRUE FALSE
9. Perpetual Inventory System records every receipt into and out of the supply area.
   TRUE FALSE
10. Periodic cycle counts are used to check the actual amount on hand against what the computer says should be there.
    TRUE FALSE

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