

# Vendor Managed Inventory

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Acknowledgement:

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# What is VMI?

- Vendor Managed Inventory (VMI) refers to an agreement where the supplier is responsible for holding and managing inventory levels at the customer's facility
- The supplier – often a manufacturer, is provided real time point of sale information from the retailer and must manage the supply of product to the retailer.

# Project Objectives

- The objectives of the VMI project at Bayside Health, a major teaching hospital network in Victoria, Australia, were to reduce the number of hospital staff required to manage the ward imprest service, reduce the level of stock holding, and maintain fill-rate at a minimum of industry benchmark of 97% whilst maintaining the level of customer service to the wards.

# How it was implemented

- A phased implementation plan was adopted in mid-2005. Stage-1 roll-out focussed on the conversion of imprest stock holding over to CH2 and maintaining imprest services by hospital pharmacy technicians. Stage-2 involved replacing hospital technicians with CH2 staff who would check imprest levels in the wards, place orders with and receive stock from CH2's warehouse. They would pick non-CH2 stock such as pre-packs from the Pharmacy shelves and deliver all imprest drugs to the wards. They would also be responsible for expiry date checks according to existing Pharmacy procedures.

# Results



# Discussion

- The stock holding at the Alfred began to decline after an initial surge due to “Christmas Cover”.
- Results are shown as an index based on 2004 stock holdings.
- Patient throughput has increased over the last year but inventory levels have continued to decline – VMI has been successful from the pharmacy’s viewpoint

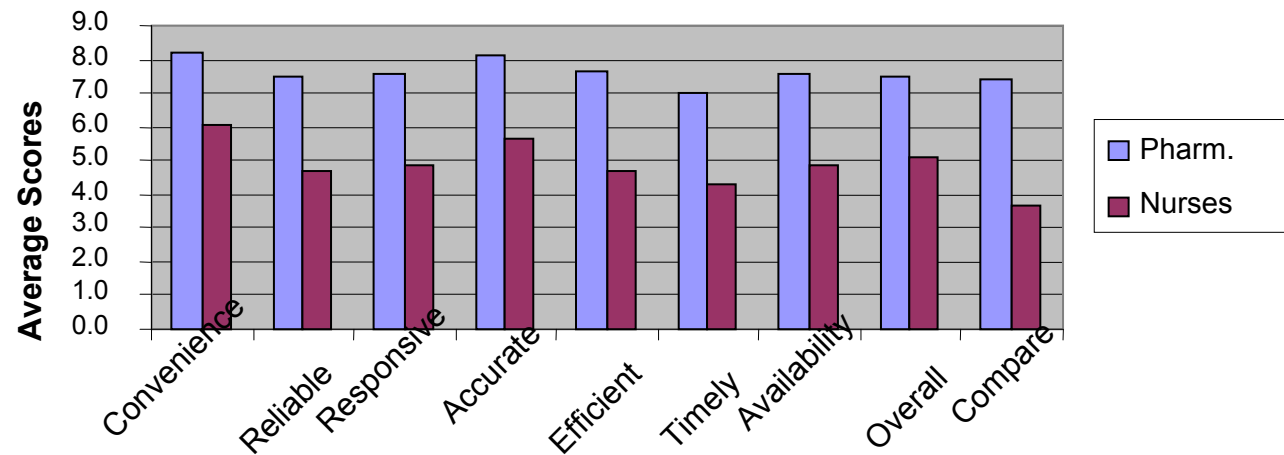
# Customer Service

## Customer Service Survey July 2006

Average of Responses

Scale 0 = Poor, 10 = Excellent

(Pharmacists n = 15, Nurses n =105)



# Customer Service Survey

- The survey of nurses and pharmacists after VMI had been introduced showed that nurses generally felt VMI had reduced service levels.
- CH2 and the Pharmacy worked closely together to improve the service levels for the nurses.
- Subsequent surveys showed this was successful.

# Measures taken to improve service

- A dedicated truck for the Alfred Hospital Pharmacy Wardbox, reducing the likelihood of delay.
- Earlier daily deliveries, to ensure wards are re-filled before 2:30pm.
- More ad hoc reviews of imprest quantities.
- Hot line for requests for top-up stock.
- Replacing faded labels on shelves or stock trays, so that nurses can see locations of stock more easily.
- Changed procedures where CH2 staff scans the bar-codes on their folders rather than the shelf labels. This is to facilitate stock checks if nurses remove the stock trays.