VMG HEALTH

PROGRESSIVE SURGICAL eSupport
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Best Practices for Inventory Management in the ASC

Vanessa Sindell, MSN, BSN, RN, CAIP

Nancy Stephens

Learning Objectives

- Understand Inventory's Impact on Financial Health: Learn how inventory management affects an ASC's profitability.

- Implement Effective Inventory Controls: Apply strategies to optimize inventory levels and reduce waste.

- Master Case Costing and Accounting: Understand how to calculate case costs and apply best accounting practices.

- Improve Inventory Planning and Reporting: Develop skills in accurate inventory planning and performance reporting.

- Leverage Key Performance Indicators (KPIs): Use KPIs to track and enhance inventory management efficiency.

What is Inventory Management?
Definition

The process of

Ordering
Storing
Using
Selling

Raw materials
Components
Finished products

In other words,

Everything you
DO
with
Everything you
USE
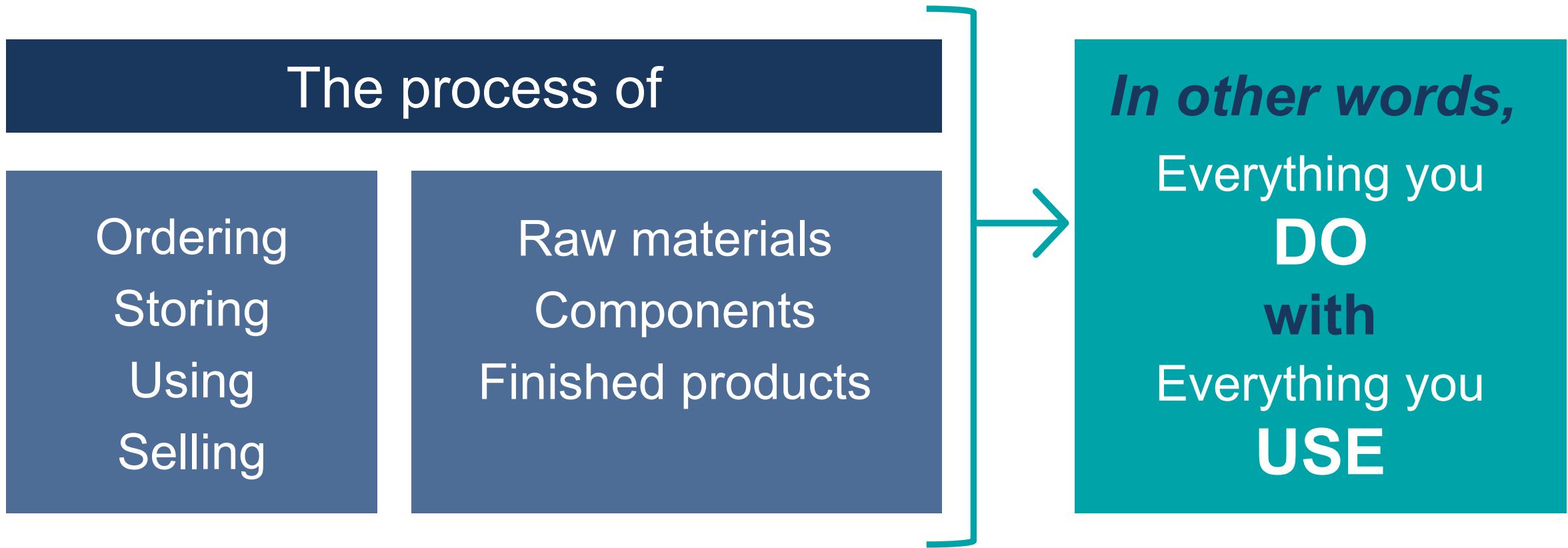
Why is this important?

- Supply costs are **the 2nd highest expense** (after staffing)

- Effective management of supplies can drastically impact the bottom line

- Something we have control over

What is Supply Chain?

Supply Chain manages the point of purchase to the point of use:

- Purchasing/contract negotiation
- Inventory management
- Streamlining processes
- Reducing waste and lowering costs
- Ensuring continuity of supply

Manufacturer → **Patient**

Purchase → **Use**
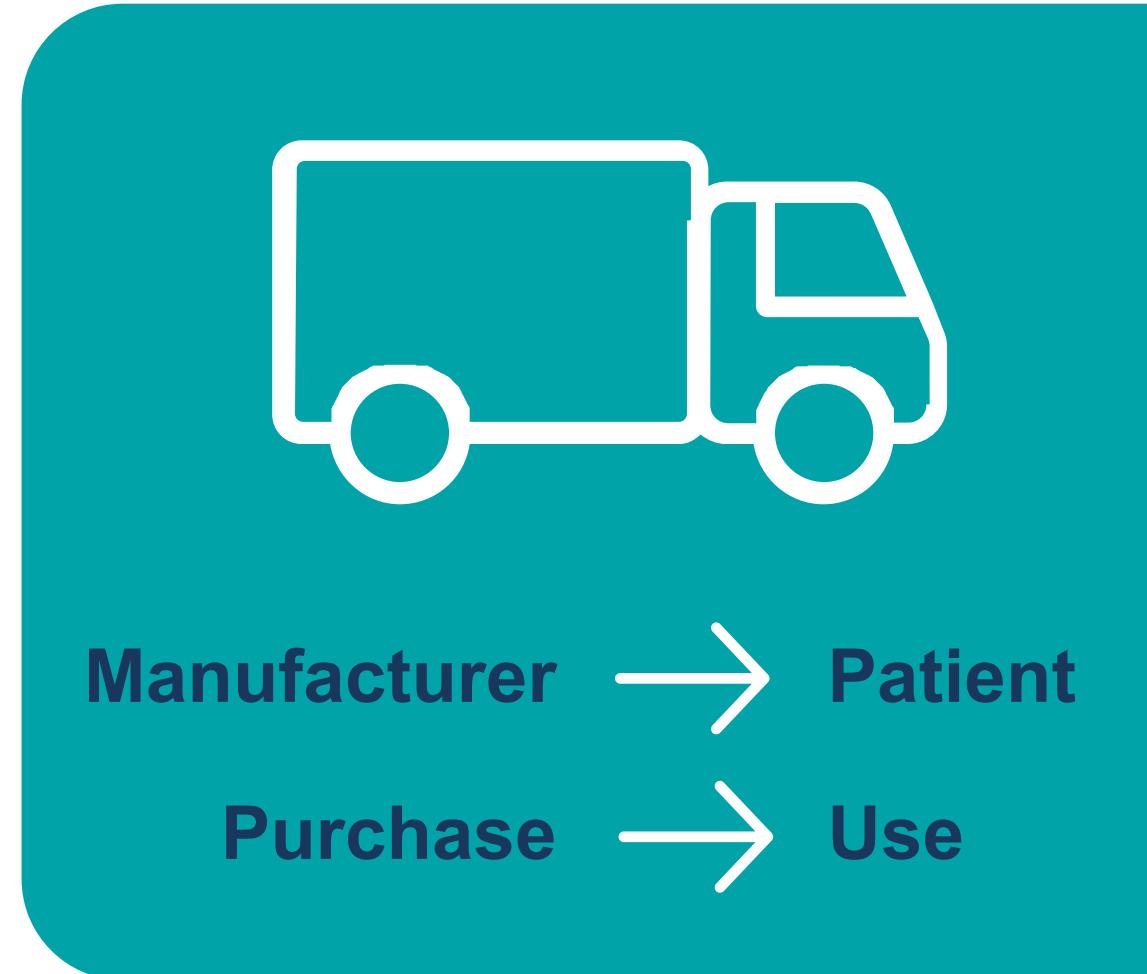
Manufacturers

Definition:
A person or company that makes goods for sale

- Contracts directly with GPOs for tiered discounts

- Controls flow of goods to distributors

  - Example: allocations for PPE during crises

Distributors

Definition:
An agent who supplies goods to stores and other businesses that sell to consumers

- Selection criteria, what is it?

- Prime vendor that supplies the majority of medical supplies

- Secondary vendors provide back-up options in the event of a lower priced product or product backorder

Group Purchasing Organization (GPO)

Purpose:
Leverage the purchasing power of a group of businesses to obtain discounts from vendors based on the collective buying power of the GPO members.

- Many GPOs are funded by administrative fees that are paid by the vendors that GPOs oversee. Some are funded by members.

- Vizient, Premier, HPG, EyeProGPO

Group Purchasing Organization (GPO)
Benefits

- Most GPOs are free to join for both ASCs and Clinics
- Cost savings through aggregated purchasing volume
- Negotiated vendor pricing, minimizing the need for local negotiations
- Customized savings analysis and data analytics
- Networking and education
- Procurement platform and member portal
- Personalized member support, including assistance with billing/pricing discrepancies.

GPO Case Study | Ophthalmology

PHYSICIAN OWNED	PRIVATE EQUITY OWNED
$150,000	**$200,000**
Ophthalmic ASC 2 OR, 1 Clinic 20 Physicians	Ophthalmic PE Group 5 ASCs, 40 Clinics 110 Physicians
Approx. **8,000** Cases/Year	Approx. **30,000** Cases/Year

EyeProGPO

Saved in
1 YEAR
as EyeProGPO Members
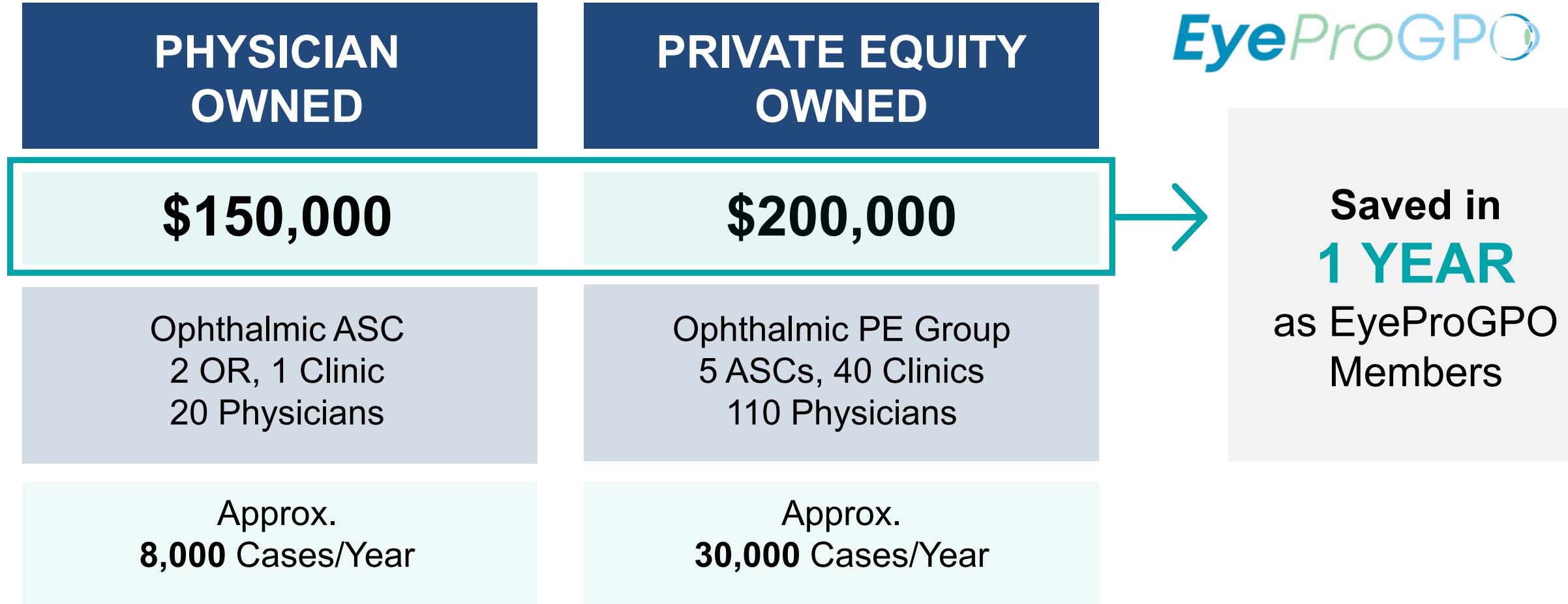
Vendor ANNUAL Review

VENDOR REPORT CARD

Ask vendor to perform quarterly or semi-annual cost savings analysis on top purchased items

Submit Vendor Report Card to management

Vendor Report Card

Screws and Plates | Podiatry/Hand Anchors

Most Favorable		
Favorable		
Least Favorable		

4th Quarter

	Vendor A	Vendor B	Vendor C	Vendor D	Vendor E	Vendor F
Annual Dollars Spent						(Low volume)
Discounts	No	Yes 10%	No	Yes 35%	Yes 10-20%	No
GPO contract available	No	No	No	No	No	No
Consignment	No	Yes	No	Yes	Yes	No
Customized Invoices	Yes	Yes	No	Yes	Yes	No
Medicare/Medicaid Assistance	Yes	Yes	No	Yes	Yes	No
Freight	Yes By weight /number of days (Philadelphia)	No	Yes Flat Rate	Yes	No	Yes By weight /number of days
Additional Value Add Service/Deals	Sales Rep provides free product from his account when available. Discounted one large tray purchase	Sales Rep provides free product from his account when available.	None	None	Will buy back comparable products with volume commitment	Will consign with volume

Purchase Order Creation

- Description should include where these items are coded within the chart of accounts.

- Include items like high shipping cost or overnight shipping costs and the reason in the PO comments section.

- Create separate POs for different categories, even if from the same vendor.

Examples

Placing a supply order	1 PO for medications and a 2nd for supplies.
Ordering implants and supplies from the same vendor:	1 PO for implants and 2nd for supplies.
Ordering both consignment items and direct purchase implants:	Create 2 POs.

Purchase Order Creation

- When creating POs for non-inventory items
  - Create the item as an expense item, that does not track quantity on hand.
  - Do not create items for them.

- Print all POs after creation
  - Place in a box/organizer so all staff who unpacks/stocks supplies can match the PO to the packing slip.
  - Or email PO as PDF to accounting if they do not access.

- Naming the PO for organization
  - McKesson Meds, Alcon Lens.

Naming Inventory Items I Best Practices

1

CATEGORY

Main purpose or function of the items.

For example:

- Surgical Supplies
- Business or Office supplies
- Ophtho
- Implants
- Ortho
- Anesthesia
- Medications

Naming Inventory Items I Best Practices

2 TYPE

Categorize your supplies correctly:

Inventory

Non-Inventory

Consignment

Items considered non-inventory:

- Trash bags
- Enzymatic cleaner
- Instruments
- Equipment

Naming Inventory Items I Best Practices

3 ITEM

Remove all commas and numbers, unless needed in the name like 22 G needle.

Avoid abbreviations like Mck, Ext. Pak. Most people will not use abbreviations when they search for it in the system. Additionally, this is not ideal for non-clinical person who are not familiar with those abbreviations.

Avoid (,), (/), (-) for the sake of searching.

Use Item name First:

- All needles start with the word "needle" then specification - "22G"
- Gloves small or Gloves Biogel 8.5
- Syringe
- Suture
- *For medications:* if there are 2 frequently used names put both: Midazolam (Versed)
- "Blade MVR 23G rather than "23G Reuse MVR"

Purchase Order Sample

ASC

<ADDRESS>
<ADDRESS>

Phone:
Fax:

PURCHASE ORDER

PO NUMBER	PO DATE

VENDOR	
Name	McKesson
Company Name	
Street Address	
City, ST ZIP	
Phone	
Email Address	

SHIP TO

DELIVER TO
Name:

PO Number	Buyer	Date	Vendor No	Terms	Ship via

#	Part number	DESCRIPTION	QTY	UNIT PRICE	AMOUNT
1					-
2					-
3					-
4					-
5					-
6					-
7					-
8					-
					-
					-
					-
					-
					-
					-
					-
			TOTAL NET	**$**	**-**

Accounting Contact: <NAME>   email
Purchasing Contact: <NAME>   email

Please deliver products to back door and include packing slips

Purchasing to Payment
The Matching Game

Involves

- Purchaser
- Materials Management
- Receiver
- Stocking Personnel
- Accounts Payable

PO Price

Invoice

Received Qty
on packing slip
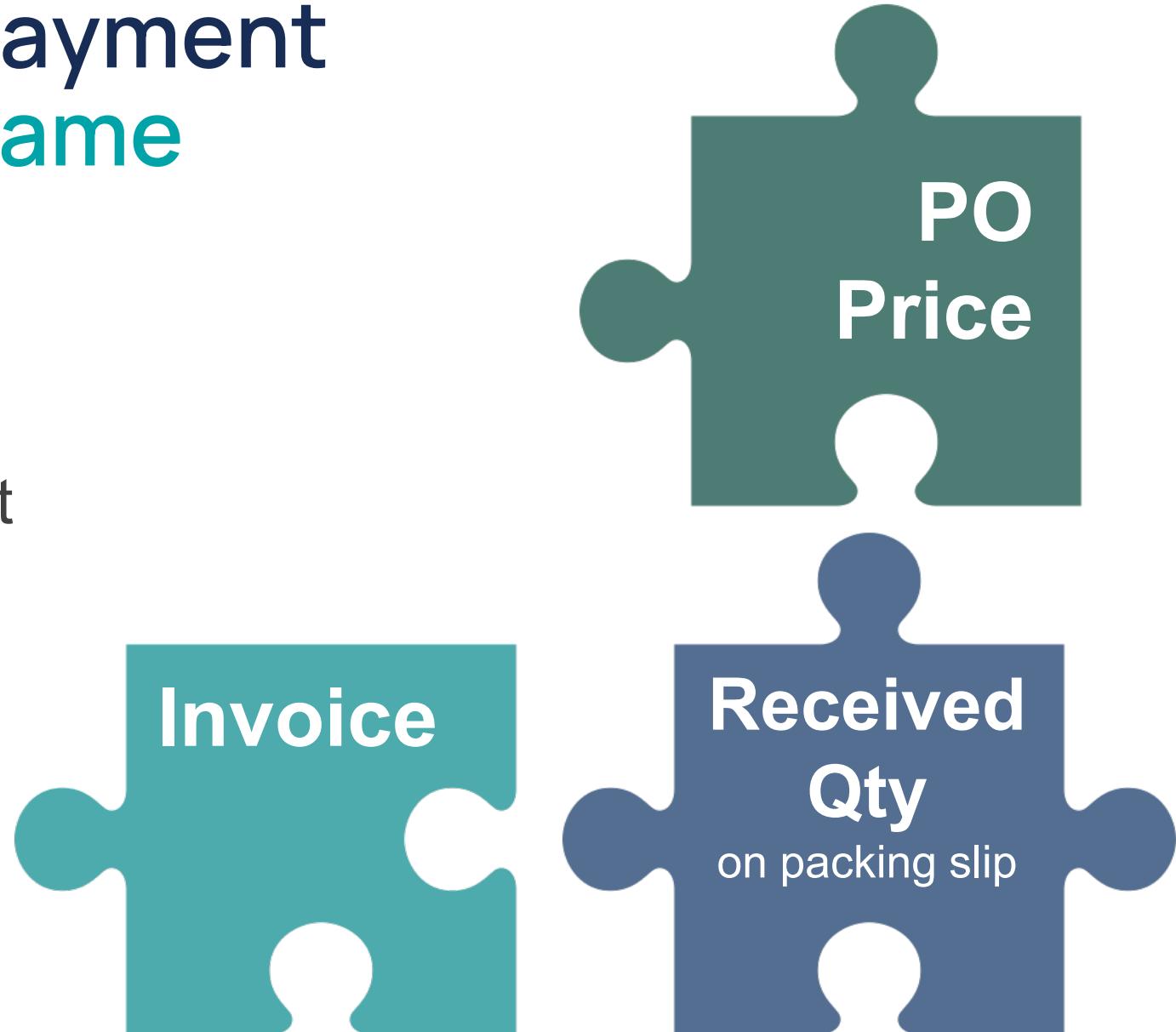
ABC Stratification/ Classification

Inventory Management | PAR → *Quantity of certain supply that you have or should have on hand.*
ABC Stratification/Classification

Based on total dollar value of purchases per year:

A	**Top 10%** of spend
B	**Next 20%** of spend
C	**Remaining 70%** of spend

Inventory Management I PAR → *Quantity of certain supply that you have or should have on hand.*
ABC Stratification/Classification

Utilize to determine inventory levels/supplies on hand:

A	**Top 10%** of spend	*no more than 2 week's*
B	**Next 20%** of spend	*No more than 1 month*
C	**Remaining 70%** of spend	*Greater than 1 month on hand*

Inventory Management
Re-Order Points

Made up of 2 factors:

(1) **Order/Ship Time Quantity**
The amount of product used between when the re-order point is reached, and the reorder is received.

(2) **Safety Stock**
The amount of product kept on hand to guard against usage fluctuations and/or product backorders.

Inventory Management
Re-Order Quantity

- The amount of product ordered once the re-order point is reached.

- Difference between the current quantity and desired quantity (Max on hand)

- Max on hand quantity is a combination of the re-order point and the operating stock

Specialty Items

Considerations and Best Practice

Mitomycin	Safety issues. Cost issues.
Tissue and Graphs	Do they need to use for pterygiums and Tutoplast for Glaucoma? These are not usually a pass through.
Specialty Medication	Will you be reimbursed? Know before you buy.
Packs and Bundles	Things to know: • Your contract • Contents of back table pack • Contents of pik pack and how it impacts price Work closely with vendor to switch things out of packs if able.

Physical Inventory
Count ALL items on the shelf.
At least annually…better twice/year

- Use an item master from financial system or main distributor.
- From master, create a spreadsheet with the cost and quantity and enter your counts.
- Freeze inventory functionality

Why Does Physical Inventory Matter?

This is money that is tied up on the shelf and **not available for bonus, distribution, rate increases.**

Direct impact to the bottom line.

SIS Example of IOS Envi ®

- Automates cumbersome manual inventory processes

- Creates purchase orders (POs) using item and vendor masters

- Electronically transmits POs to suppliers via EDI, email, or auto-fax

- Accurately reflects available stock and inventory values4

- Manages item and price updates

4 Requires optional usage module for perpetual inventory

	DOS ↑	Patient Name	MRN	Physician	Procedure	Departments Signed
☐	11/05/2017	Adams, Elizabeth*	26D79CCE-C9...	BLOOMFIELD, SARAH	Transfer or transplant of si...	0/5
☐	11/13/2017	Jones, David	987CC245	MOORE, HERMAN	Application of interverteb...	0/5
☐	11/14/2017	Fitzgerald, Jenny	87964DFS-A	CUDDY, ELIZABETH	Transfer or transplant of si...	0/5
☐	11/14/2017	Cole, Stacy L	112568-187	MOORE, HERMAN	Transfer or transplant of si...	0/5
☐	11/16/2017	Adams, Elizabeth*	26D79CCE-C9...	BLOOMFIELD, SARAH	Application of interverteb...	0/5
☐	11/20/2017	Smith, Shelley	3475221	CUDDY, ELIZABETH	Transfer or transplant of si...	0/5
☐	11/20/2017	White, Jason	10105684	MOORE, HERMAN	Transfer or transplant of si...	0/5
☐	11/27/2017	Cole, Stacy L	112568-187	MOORE, HERMAN	Resection or transplantati...	0/5
☐	11/28/2017	Kyle, Selena R	2377ACD54	CUDDY, ELIZABETH	Resection or transplantati...	0/5
☐	12/15/2017	Smith, Shelley	3475221	CUDDY, ELIZABETH	Arthrodesis, anterior trans...	0/5
☐	01/19/2018	Wilson, Deborah	3457SDC11	SARATHY, PRIYA V	Application of interverteb...	0/5
☐	04/10/2018	White, Jason	10105684	BEAUDRY, DAVID C	Resection or transplantati...	0/5
☐	05/07/2018	Smith, Shelley	3475221	GARR, KE	Resection or transplantati...	0/5
☐	05/08/2018	Furst, Sarah	19854AC546	BEAUDRY, DAVID C	Application of interverteb...	0/5

Deplete Selected

Case Costing

Case Costing

HOW

Manually

OR

Electronically

PRE-REQUISITE

Accurate and complete physician preference cards

- Be as detailed as possible
- Include all supplies
- Include extra items that must be "available" on the preference cards

WHY

To determine the cost of different types of cases

- Profitability
- Patterns of higher costs/individual surgeons preferences
- Major impact on bottom line

Case Costing I Manual Process

Pull chart

Find supply list (most likely a piece of paper)

Find any implants

Confirm cost of each item on vendor website

Identify staff involved in case

Determine staff cost per person

Gather charges, write offs, payments

Anticipated 1-2 hours admin time per line

Build budget

Build excel sheet cost calculator for that one case
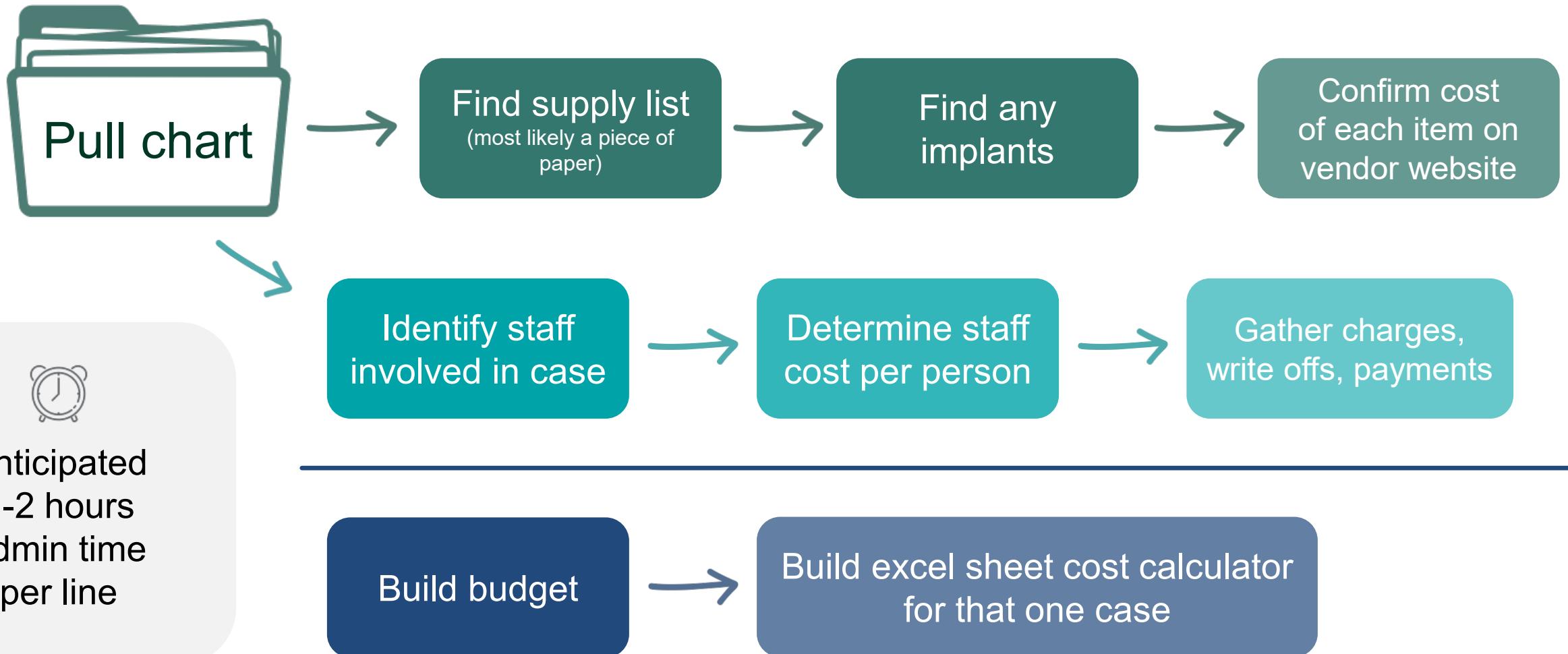
Case Costing
Automated by SIS

While the RN is charting the base line supplies are pulling in

Allow "charting by exception" on the supplies

Easy to add more of the item or a new item

Case Costing
Surgeon Preference

- Everyone likes a competition!

- Allows you to compare between surgeons.

- Gets specific about items they use that cost more.

- Ensure your data is correct prior to publishing because you will be questioned on it.

Q3 Average Supply Costs By Surgeon

Benchmark = $285 per case

Bar chart of average supply costs by surgeon with a benchmark line at $285 per case. Values from left to right: 238, 239, 239, 244, 251, 259, 264, 265, 275, 282, 282, 312, 316, 323, 332, 342.
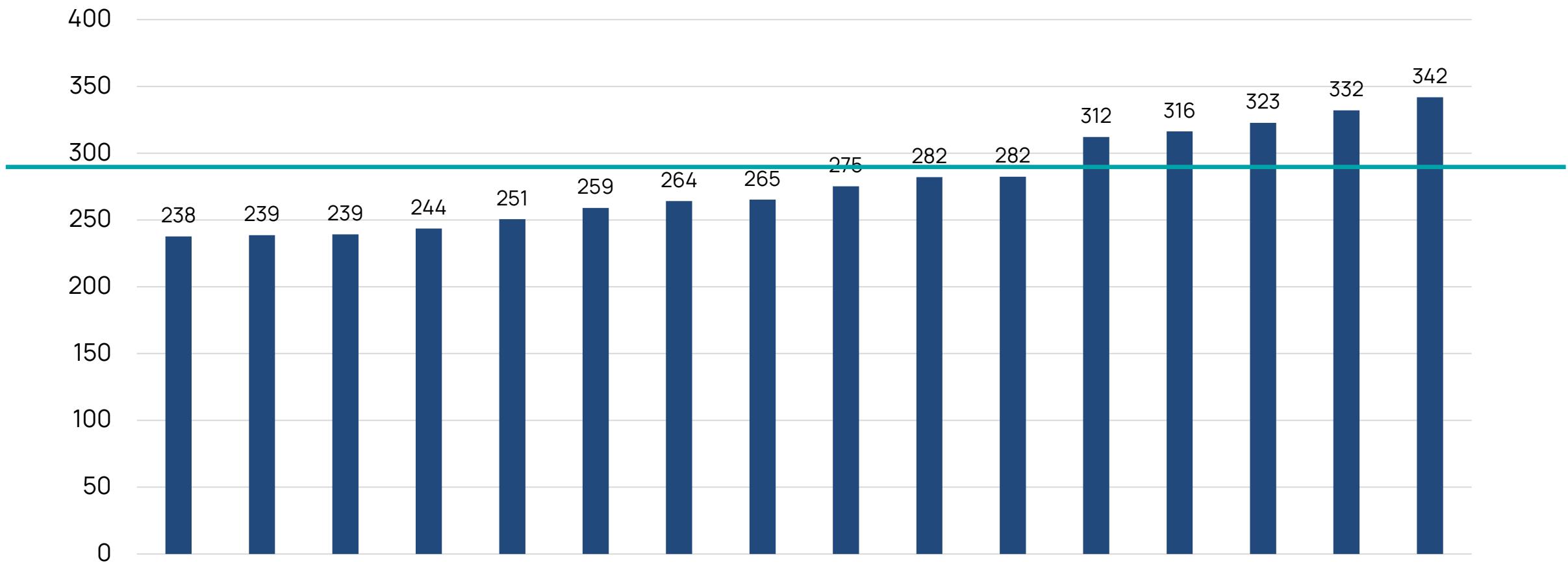
Supply Usage MD Comparison

	ALCON			LENS			
MD 1	Pick Pack Provisc	$	51.39	PCBOO	$	100.50	$ 156.39
	Sleeve (25 Uses)	$	1.17	SN60WF	$	134.00	$ 189.89
	I/A polymer crvd	$	3.33				
		$	55.89				
	ALCON						
MD 2	Pik Pack Provisc	$	51.39	SN60WF	$	134.00	$ 189.89
	Sleeve (25 Uses)	$	1.17				
	I/A polymer str	$	3.33				
		$	55.89				
	ALCON						
MD 3	Pik Pack Duovisc	$	80.39	PCBOO	$	100.50	$ 185.39
	Sleeve (25 Uses)	$	1.17				
	I/A Polymer crvd	$	3.33				
		$	84.89				
	ALCON						
MD 4	PIK Pack Provisc	$	51.39	PCBOO	$	100.50	$ 171.39
	Sleeve (25 Uses)	$	1.17	Staar	$	110.00	$ 180.89
	I/A Polymer crvd	$	3.33				
	Healon Reg .4	$	15.00				
		$	70.89				
	ALCON						
MD 5	Pik Pack Duovisc	$	80.39	PCBOO	$	100.50	$ 187.01
	MST Straight	$4.95					
	Sleeve (25 Uses)	$	1.17	SA60AT	$	134.00	$ 220.51
		$	86.51				

	AMO						
MD 6	PiK Pack Duovisc	$	80.39	PCBOO	$	100.50	$ 187.42
	I/A polymer crvd	$	3.33				
	Sleeve	$	3.20				
		$	86.92				
	AMO						
	Signature Tubing	$	32.96				
	Sleeve	$	1.20	PCBOO	$	105.00	$ 188.36
	Phaco Tip	$	3.20				
MD 7	BSS	$	4.00				
	Endocoat	$	42.00				
		$	83.36				
	AMO						
	Signature Tubing	$	32.96				
	Sleeve	$	3.20				
	Phaco Tip	$	2.40	PCBOO	$	100.50	
MD 8	BSS	$	4.00				
	Endocoat	$	42.00				
	Optivis	$	18.00				
	w/Endocoat	$	84.56				$ 185.06
	w/Optivis	$	60.56				$ 161.06

Case Costing Sample

Provided by:
Mobius Therapeutics

66183: Insertion of Ex-PRESS® Shunt		
Reimbursement	$2,284 ⬅	*Enter $*
Supply Costs	$225 ⬅	*Enter $*
COVID Costs	$26 ⬅	*Enter $*
Ex-PRESS®	$795 ⬅	*Enter $*
Staff	*Rate/Hour*	
	$36.42	*Will Autofill*
	FTE Count	
	5 ⬅	*Enter # of Staff*
	OR Time	
	0.50 ⬅	*Time in Hours*
Sub-Total, Staff	$91	*Will Autofill*
Mitosol®	$195 ⬅	*Enter $*
TOTAL REVENUE	$2,284	
TOTAL COST	$1,332	
Total Margin	$952.34	41.7%

Staff	Wages	Benefits	Total
Tech	$25	$4	$29
RN	$50	$8	$58
Admin	$20	$3	$23
		Blended Labor Rate	$36

Case Study | Data Collection

KPI Dashboard

| Description	May	June	July
Case Volume	**442**	**556**	**706**
Number of Surgery Days	18	17	18
Cases per Day	**25**	**33**	**39**
Collections	68,5123	65,8125	50,5233
Avg Collection per Case	**1,550.05**	**1,183.89**	**715.27**
Total Payroll Expenses	14,7131	130031	129160
KPI - Payroll Cost per Case	**332.88**	**233.91**	**182.86**
Supply Expenses	27,5291	20,6461	15,4350
KPI - Supply Costs per case	**622.83**	**371.4**	**218.52**
Supply Ratio	40.18%	31.37%	30.55%

Supply Cost per Case
Key Factors

- Vendor Selection
- Inventory Management & Case Mix

How to calculate:

$$\frac{\text{Medical Supply Expense}}{\text{Total Cases}}$$

**Medical Supply Costs per Case
Specialty Specific**
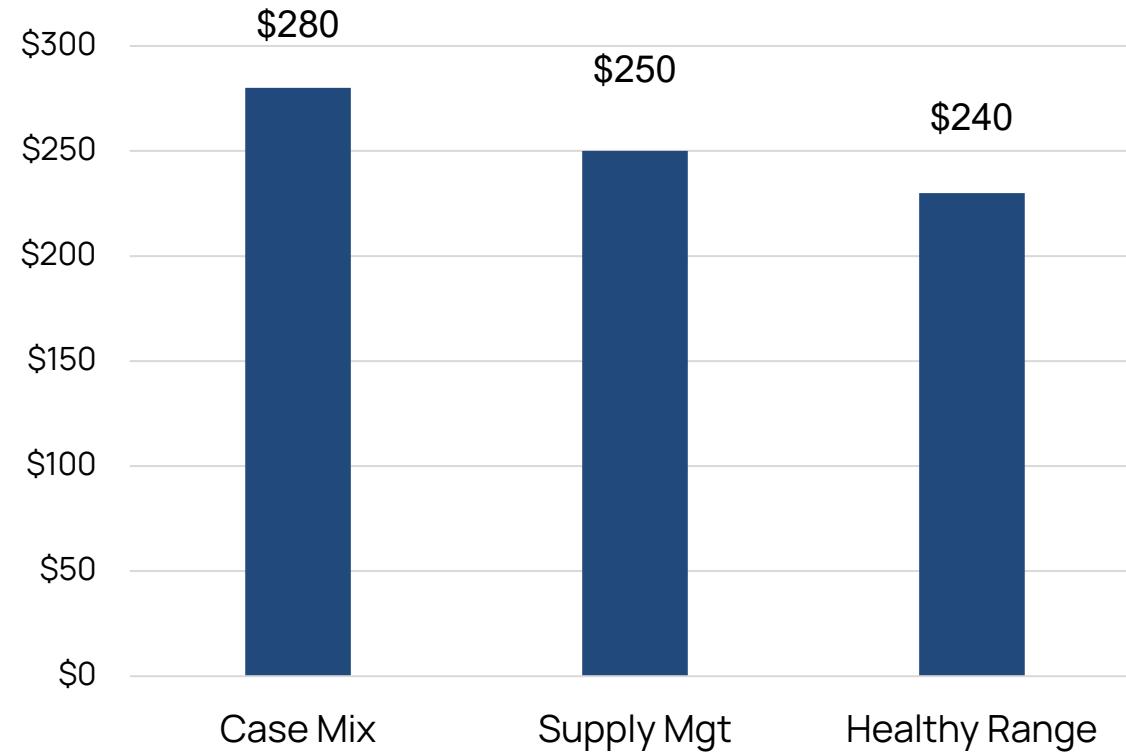
Supply Cost Ratio
Why it's important

Measures the cost of surgical supplies in relation to net collections.

- Surgeon vendor preference and case mix will drive this cost.

- Inventory Management: lack of proper controls can drive up costs
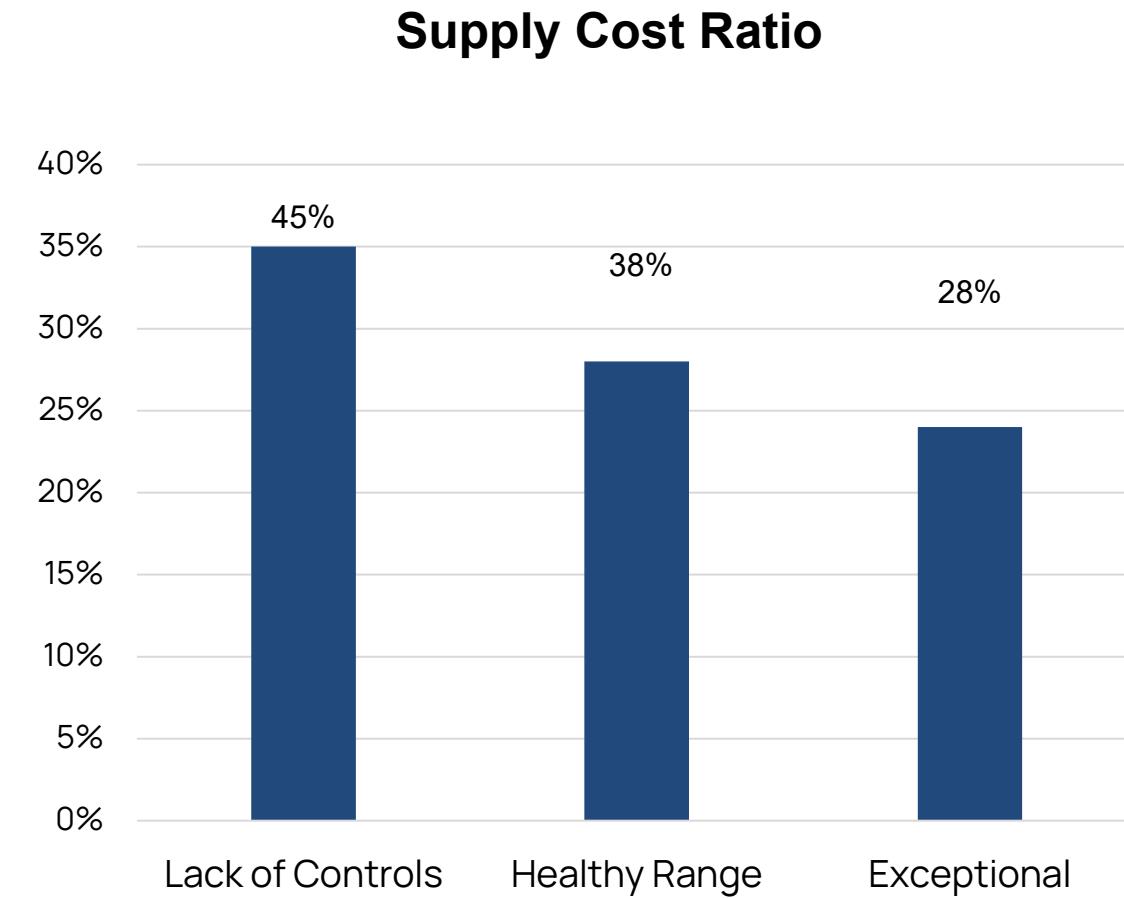
Supply Cost Ratio

Benchmarks to Remember

Supply Chain Management	Formula	Healthy Range (Min)	Healthy Range (Max)
Supply Cost Ratio	Surgical supply expenses divided by net collections.	**20%**	**30%**
Supply Costs per Case	Surgical supply expenses (disposables, IOLs, etc.) divided by cases.	**220**	**375**

Margin Management Impact

	Status Quo	% / Revenue
Revenue	$ 1000	100%
Expenses	$ 750	75%
Net Income	**$ 250**	**25%**

	Expense Reduction	% / Revenue
Revenue	$ 1000	100%
Expenses	$ 700	70%
Net Income	**$ 300**	**30%**

Reduce costs 6.7% and Profits increase to $300

	Revenue Increase	% / Revenue
Revenue	$ 1200	100%
Expenses	$ 900	75%
Net Income	**$ 300**	**25%**

Revenue needs to Increase 20% to increase Profits to $300

Key Learnings and Takeaways
Best Leadership Practices

- Work strategically with your GPO and top vendors to ensure the best pricing.

- Review inventory practices and PAR levels to control costs.

- Study your KPI dashboard to quickly and methodically to ensure supply costs are within the benchmark.

Available to eSupport Members

eSupport > Business Ops

"KPI Dashboard"

"Materials Management Guidelines…"

"Surgeon Preference Card Template"

"Vendor Report Card Sample"

bottom. This data should come from your bookkeeper or accountant. The template is meant to be representative of a standard ASC Income Statement.

5. **Sample Distribution Schedule:** This is a simple Excel tool we use to help track owner shares and percentage of ownership, plus calculate distributions to the penny! Contact us if you need us to create this tool for your ASC.

The above package is an example of the data ASC owners should review on a quarterly basis.

MONTHLY to all owners and investors:

1. **Executive Summary:** highlights the clinical, operational and human resource issues for the month. This is sent via email either in the body of the email or as an attachment.

2. **Case Volume:** Case volume by specialty and by doctor for the month. This data is normally compiled in Excel and ties back to the scheduling system as verification that the data is correct. Attach the executive summary as a PDF and send via email.

If you need help with any of the above information or with the Excel tools, please call or email us. We would be happy to help!

⬇ CLICK LINKS BELOW TO DOWNLOAD

▤ Financial Dashboard and Comp/Bonus Plan
▤ OR Utilization Tool
▤ OR Utilization Tool w/ Sample Data
▤ Board Package Tool
▤ Board Package Summary Memo Template
▤ Board Package Sample
▤ Revenue Cycle Management ASC Scorecard

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📞 (800)-832-0609

✉️ Vanessa.Sindell@vmghealth.com

Nancy.Stephens@vmghealth.com

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and profitable ASC with confidence.
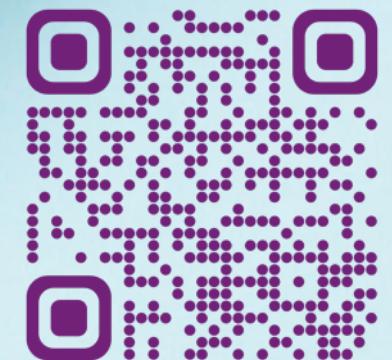
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RUNNING AN ASC CAN BE OVERWHELMING
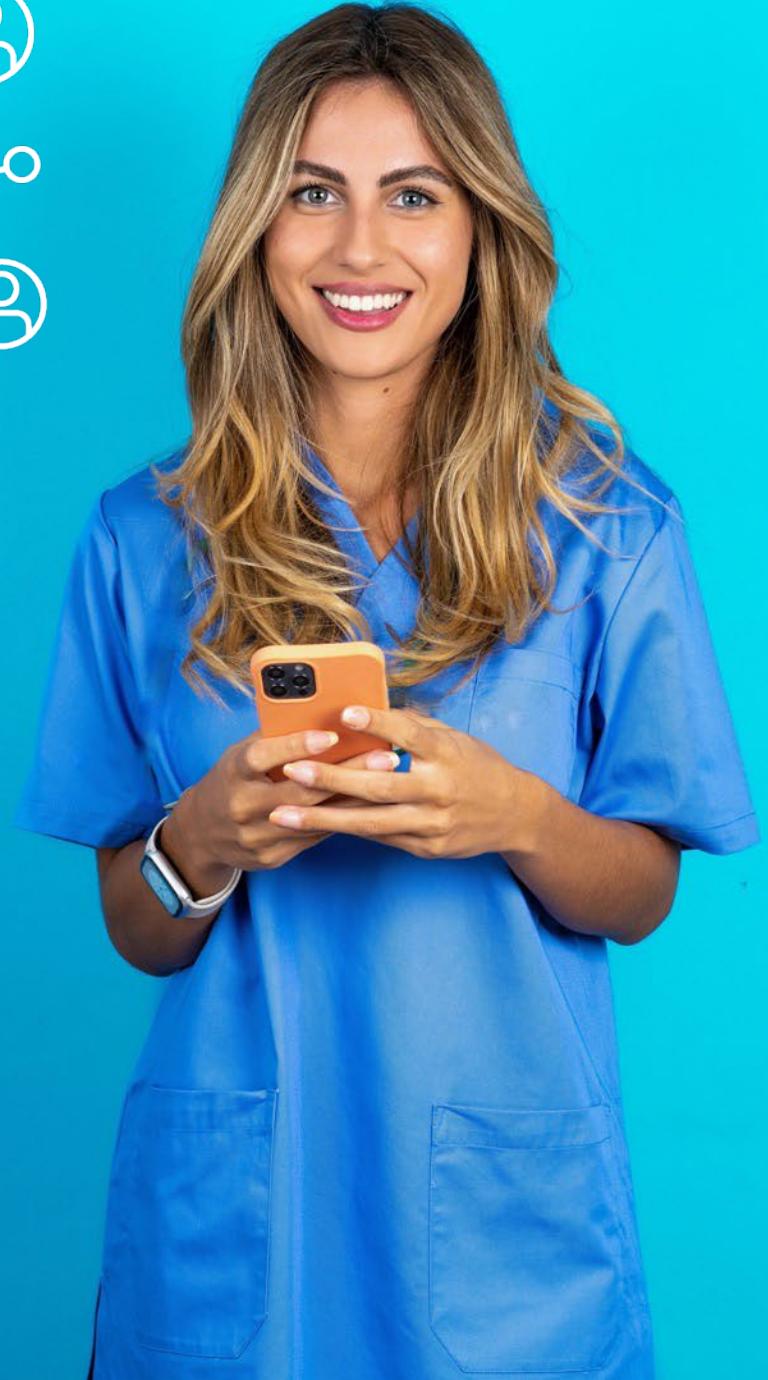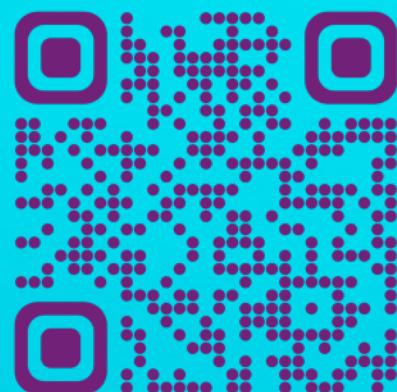
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Upcoming Webinars

DATE	🕐	CE	WEBINAR TOPIC	SPEAKER
DEC 12	60	RN CASC	**Life Safety Code Survey Deficiencies and Compliance Strategies**	**Dale Lyman** **Apryl McElheny,** MBA, MSN, RN, CASC, CIC *VMG Health*
JAN 12	20		**2026 ASC Quality Reporting Update**	**Gina Throneberry,** MBA, BSN, RN, CASC, CNOR *ASC Association*