



Receiving & Distribution

A BEST PRACTICE GUIDE

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Receiving is the point at which a hospital takes physical possession of items typically procured via the purchasing process based on the terms and conditions of the PO. While this sounds straightforward—unload a truck and move items into the facility—the responsibility of receiving packages for a hospital can have both an immediate and a lasting financial impact. The entire flow of receiving and distribution should be considered in concert and should incorporate steps to manage logistics. Like receiving, distribution appears to be straightforward—take an item and deliver it. But make no mistake, delivery (or in its broader term, distribution) requires great preparation and attention to detail. An incorrect delivery impacts customer relations and increases the transaction cost. Therefore, distribution should be viewed holistically, including policies and the logistical steps for making a delivery.

BEST PRACTICE

Make the best use of the space available

Typically, the physical plant and property of a hospital are not modifiable, which may create receiving challenges that need to be addressed. Consider the following issues:

- Physical location of the facility
 - Is the hospital in an urban or non-urban setting?
- Access to the receiving area
 - Is the area dedicated to receiving activities?
 - Is it separate from other facility traffic?
 - Is the area completely contained on the facility's property?
- Size of receiving area
 - What is the maximum length truck that can be accommodated?
 - How many deliveries (i.e., trucks) can be accommodated at one time?
- Loading dock
 - Is the loading dock a fixed height or variable from the ground?
 - › Is a truck lift gate required?
 - What is the overhead clearance?
 - How many unloading bays are available?
 - What is the length and width of the loading dock?
 - Is it dedicated exclusively to loading and unloading?

- Staging area
 - Is it inside or outside?
 - What is the size of the staging area?
 - How far away is it from the loading dock?
 - What is the access door clearance (length, height, width)?
- Receiving transaction area
 - Is this area separate from the staging area?
 - What is the size and location of the staging area?
- Predistribution area (location of received items prior to initial distribution)
 - Is this area separate from the receiving area?
 - What is the size and location of the predistribution area?
- Does the requisition or contract cover all aspects of the total cost of ownership?

BEST PRACTICE

Have a standard procedure for validating items

Receiving is essentially validating deliveries, but it has several important components. The packages to be unloaded are matched to the shipping documentation (bill of lading, packing slip) and then typically cross-referenced to a facility PO. However, not all deliveries are originated by the hospital. Items may originate from vendors (whether or not they are associated with the hospital), field service engineers, or patients' family members. It is the responsibility of the receiving employee to determine the validity of the shipment and either reject or accept delivery. It is also important to have a policy in place for taking this decision to the appropriate person or department.

Primary distributors should provide an advanced shipping notice, which allows hospitals to electronically receive shipments, creating a more efficient process when products are physically delivered to the facility. There are myriad methods for electronic receiving (e.g., receive by exception); the best method is the one that works best for the institution and the technology and resources it has available.

Before the decision to accept a delivery is made, it is imperative that all items be thoroughly inspected. Once a delivery is accepted, the hospital may be contractually obligated to pay for the items. If no damage is noted upon inspection and damage goes undocumented by the carrier or vendor, the hospital may have limited recourse. When performed correctly, inspecting deliveries before accepting them mitigates the hospital's liability for damaged products and lowers the risk of disputes with vendors or carriers over damaged products.

For items associated with a PO, best practice is to match each line of the packing slip to the corresponding line on the PO and to officially receive the physical quantity that has arrived for each individual line. For items that are not associated with a PO, best practice is to log the delivery information. For example, if an item is delivered by FedEx, the FedEx tracking number should be logged to show the chain of custody through receiving.

As items are unloaded, they move to the staging area and are organized for physical receiving. Upon completion, items are further organized by final destination while they are still in the predistribution area. It is important to ensure that the integrity of the documentation is maintained at this juncture, which ties items to their final delivery location.

BEST PRACTICE

Use strategic inventory management and distribution methods

Inventory management and distribution methods can influence the receiving process. They include the following:

- Low or logical unit of measure (LUM)
- Just-in-time (JIT) inventory
- Vendor-managed inventory (VMI)
- Consignment inventory
- Desktop delivery

LUM and JIT inventory are best practice strategies for reducing on-site inventory levels so that they meet real-time needs. They also reduce the frequency of supply replenishment (also known as inventory turns), which reduces inventory carrying costs. By eliminating excess stock on hand, these strategies also help minimize the waste associated with physically damaged items or packaging, as well as the potential losses associated with products that have expired. Primary distribution partners typically offer these services. They incorporate the receiving separation process that is performed during traditional receiving and predistribution at the point of origin by grouping presorted items on carts with labeled destination areas. The carts are then delivered directly to the predistribution area. Each facility needs to weigh the ROI associated with a LUM or JIT program, as the service may be subject to a distribution partner fee.

As its name indicates, in a VMI program the vendor completely manages its on-hand inventory at the hospital—from inventory counts to ordering to distribution. It requires a high level of understanding of the contractual responsibilities between the vendor and

hospital. With a VMI program, the on-hand inventory is owned by the hospital.

A second option in VMI programs is the consignment model, where the on-hand inventory is not owned by the facility until it is used, at which time the hospital pays for the item.

Desktop delivery allows the vendor to bypass the traditional receiving processes and send packages right to the final location. Like VMI, desktop delivery relies on a high level of understanding between the involved parties. This model is often employed by office supply vendors.

The hospital's warehouse size and location may influence the use of all or some of the processes above. For example, a facility that doesn't have an on-site warehouse will typically embrace the LUM/JIT distribution partner process. This is a known best practice that transfers the holding cost of the warehouse inventory to the distribution partner, freeing both capital and storage space as well as streamlining receiving steps.

BEST PRACTICE

Establish policies and procedures for special types of inbound and outbound freight

There are certain situations that require specific procedures. Ensure that there are established ways to deal with special types of inbound freight, such as the following:

- Hazardous materials
- Frozen/refrigerated items
- Human tissue/bone products
- Biological products
- Pharmaceuticals

Policies and procedures should also be in place for handling direct deliveries for items that are not kept in stock and do not go through receiving (often referred to as a drop shipment). The supply chain can employ ERP technology to flag these instances and allow payments to be processed using a two-way match, in which a matching PO and invoice is required but not a receiving report in order for payment to be processed. This creates a much improved workflow down the line.

There should also be a process for item returns or mis-shipments.

BEST PRACTICE

Foster a culture of constant customer service

Distribution is a customer-facing supply chain activity that can profoundly influence customer relations (the customers being the individuals to whom the products are being delivered). Open, friendly customer service strategies are imperative to success and can be as simple as a warm greeting and open communications. Foster a service culture with distribution personnel by highlighting the importance of their role to the hospital. This practice also promotes collaboration and teamwork.

BEST PRACTICE

Employ Lean principles in the predistribution area and delivery planning

The handoff to distribution from receiving occurs in the predistribution area. This area should allow received items to be pre-staged and categorized into assigned zones or delivery locations. Make sure to have adequate storage and delivery carts or dollies available to meet the needs of the entire hospital. Further,

care should be given to determining the area layout and flow in order to minimize bottlenecks. To meet these expectations, a best practice is to employ Lean principles, such as the following:

- Value stream mapping/analysis
 - Provides a visual representation of a workflow
- 5S: Sort, Set in Order, Shine, Standardize, Sustain
 - Simply stated, a place for everything and everything in its place
- Waste identification and remediation
 - Types of waste include the following:
 - › Excess motion
 - › Waiting
 - › Reworking or excess movement of materials

The Theory of Constraints may be also applied.

BEST PRACTICE

Establish a synergistic delivery schedule

One of the most important logistical considerations is delivery scheduling, which includes timing, phasing, and staging inbound freight. Business needs will most likely dictate the delivery schedule baseline, taking into consideration vendor volume and delivery frequency. Best practice is to partner with primary distribution and high-volume vendors to designate primary and secondary delivery schedules synergistically. Parcel vendors, such as FedEx® and UPS®, will need to be accommodated, most likely on a daily basis. It is also best practice to incorporate advance shipping notices to normalize the impact of non-routine deliveries, such as capital equipment.

In addition to enhancing the efficiency of receiving for the organization, creating a delivery schedule also benefits the carrier services and original supply vendors by standardizing the time they need on site to unload a truck. These efficiencies have a direct, positive impact on the finances of all parties involved.

The equipment required for receiving includes the following:

- Pallet jack (electric preferred)
- Hand trucks
- Carts (various sizes and configurations to meet business needs)
- Staging, receiving, and predistribution area shelving and racks
- Reusable pallets

BEST PRACTICE

Develop delivery schedules and work assignments based on data

Before creating delivery schedules and work assignments, consider the following questions:

- When do deliveries arrive?
- What days and times are they scheduled to be received?
- How long does receiving take to process a delivery?
- Are there advance shipping notices that may impact deliveries?
- Are there specific requirements set by the recipient (e.g., items must be delivered only during designated times)?

Have personnel dedicated to specific delivery locations

Having staff responsible for designated delivery locations provides consistency and helps build relationships between the supply chain and the delivery location personnel. Remember, distribution is customer-facing. To this end, it is also best practice to cross-train distribution staff to make certain that operations continue to run smoothly when someone goes on vacation, takes an extended leave, or resigns.

BEST PRACTICE

Create a system based on the distribution model

When supplies are distributed they can originate from one of three locations: a warehouse, a procedural area, or the receiving dock. Depending on a hospital's available technology, physical layout, and human resources, each location requires a different internal distribution method that corresponds with the method used by the supply distributor. For example, if a hospital uses LUM or JIT inventory, supplies will be distributed from the receiving dock.

For each of these methods, the considerations for delivery include the following:

- The delivery documentation that indicates where items are to be delivered is attached to received items. This may be in the form of a paper proof of delivery that indicates the destination of the item or in an automated system.
- Proper modes of transport are employed (cart, dolly, or other defined means).
- Items are physically transported to the proper destination.
- The defined delivery confirmation is obtained.
- The delivery confirmation and the bill of lading/packing slip are maintained and filed per designated policy



KEY PERFORMANCE INDICATORS FOR RECEIVING

The following can be used to measure supply chain performance in receiving:

- Electronic receiving (%)
 - $\text{Electronic receipts} \div \text{total receipts}$
- Invoice not received (%)
- Advance shipment notices (%)
 - $\text{Advance shipment notices} \div \text{total shipments}$



KEY PERFORMANCE INDICATORS FOR DISTRIBUTION

The following can be used to measure supply chain performance in distribution:

- Ad hoc deliveries (number)
 - Ad hoc deliveries to nursing floors or other areas

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