

Assessing the Financial Impact of a Comprehensive Review of Pharmacy Department Stock-Holdings

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Background

The Pharmacy Department within a medium-sized regional hospital was holding \$260,708.59 worth of medications. This was deemed to be a financial risk due to the large volume of stock held and the potential of wastage due to expiry of medications. However, holding an insufficient quantity of medications is also a patient safety risk especially in a regional area where medication isn't easily accessible. Excess medications within a pharmacy department can be considered equivalent to money sitting on the shelves so it is preferred that distributors carry the risk where possible. There are numerous strategies used to determine appropriate stock levels. One of the most beneficial ones is by use of Pharmacy Dispensing software, which in this hospital's case was iPharmacy. Whilst this is likely the most time-consuming way in determining min-max levels, it is also the most accurate way, as it can take into account seasonal shifts in medication usage, accessibility of medications, and cost of medications.

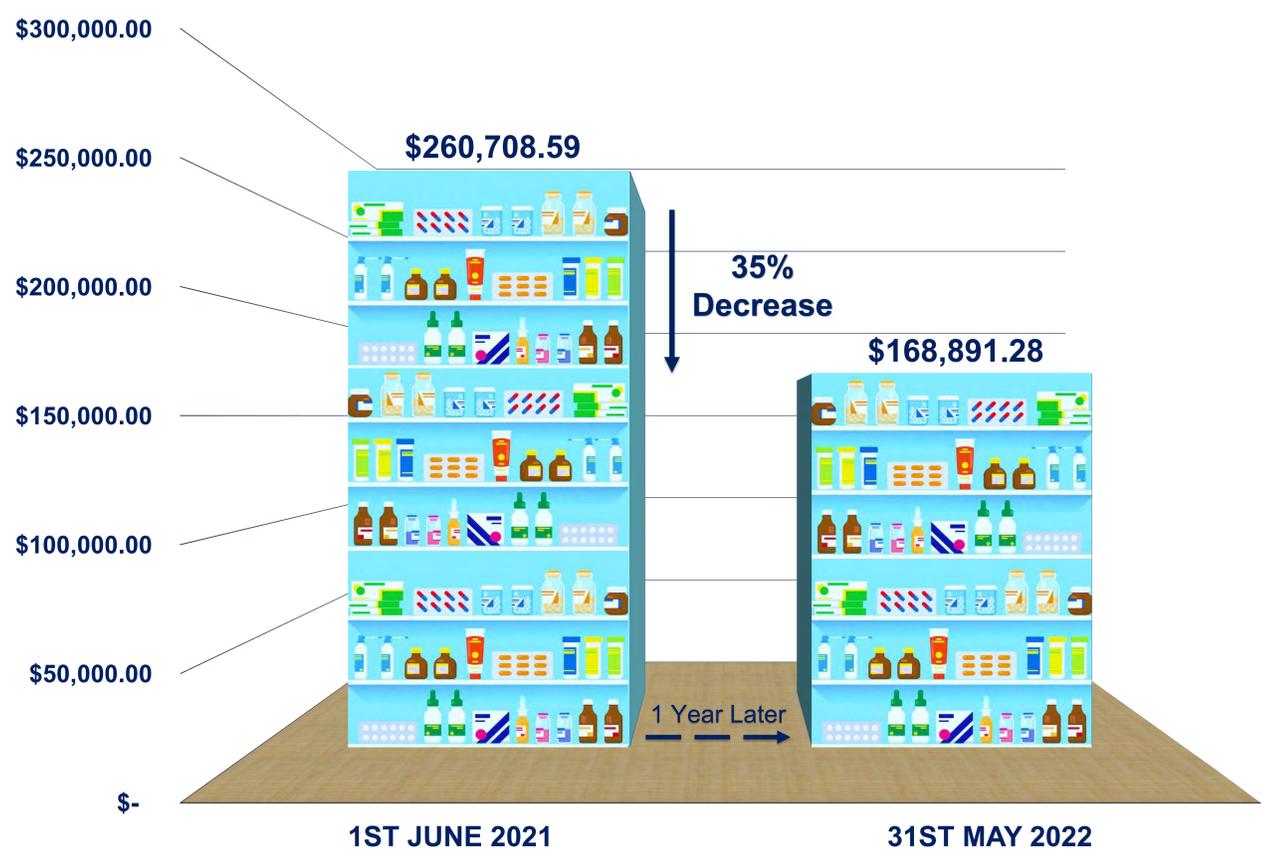
Objective

The aim was to reduce financial risk to the hospital by reducing stock valuation within the Pharmacy Department by 20% within a one year time frame.

Action

Store stock disposal details were reviewed on iPharmacy to see which items had expired before use. A zero-movement report was also pulled to assist in determining which items no longer needed to be kept. There were certain life-saving medications on this list which still needed to be kept. Suppliers and their delivery times of drugs were considered throughout this process. Cost of medications also played a role in determining the appropriate quantity to be kept. Over several weeks, the Chief Pharmacist and a Pharmacy Technician systematically reviewed every item held within the Pharmacy Department and adjusted minimum and maximum levels based on several reports pulled from dispensing software. Clinical knowledge needed to be applied to this practice, to ensure appropriate drugs were kept in stock, as well as appropriate quantities. Stock movement reports were also pulled when required to see how frequently a medication was used to better determine appropriate stock levels. Several strategies were used over the next 12 months to ensure stock levels were kept to a minimum.

Pharmacy Stock Valuation



Key Strategies Implemented

Strategies used to reduce stock valuation of pharmacy imprest, include:



Figure 1. Some of the strategies used to reduce stock valuation of pharmacy stock-holdings.

Evaluation

Stock valuation reports were pulled from iPharmacy and it was found that stock valuation reduced from \$260,708.59 on 1st of June, 2021, to \$168,891.28 a year later, on 31st May, 2022. This demonstrated a reduction in 35% of stock valuation or \$97,817.31 over the year.

Discussion

An in-depth review of stock-holdings should occur regularly in Pharmacy Departments to reduce risk of expiry by avoiding excess stock being held. Despite this practice being very time-consuming, it remains the most accurate way to adjust min-max levels, as clinical knowledge is applied when determining stock-levels. A more frequent review of stock disposal details and stock levels of short shelf-life or high-cost medications should still occur to supplement this regular detailed review of stock-holdings.

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