A Study on Drug Inventory System (ABC Analysis) in Apex Hospital, Jaipur

Apex Hospitals

IIHMR UNIVERSITY

ABC ANALYSIS INTRODUCTION

During ABC analysis, the system assigns each object one of the following indicators:

A – The most value, or given number of objects that produce the greatest value.

B – Less value, or given number of objects that produce less value.

C – The least value, or given number of objects that produce the least value.

NEED FOR STUDY

To determine the effect of supply chain management practices on the stock levels of essential drugs in Apex Hospital, Jaipur

OBJECTIVES

To identify the categories of drugs and medical consumables which need stringent management control for slow moving drugs.

To assess the annual consumption of items of medical store and expenditure incurred on them for the year 2016-2017.

METHODOLOGY

The Staff of medical store and doctors are observed and interviewed over 500 medical prescriptions in medical store that are observed during 8 weeks of the study. The current inventory policy was investigated and tested. The data concerns only the medicines from the OPD of apex hospital, retrieved from the records available on the hospital information system (HIS) for the 2016–2017. Only drugs with a high consumption value – about 70% of total annual drug value – are focused on, the purpose being to reduce expenditures and increase the effectiveness of drug utilisation.

STEPS OF ABC ANALYSIS

Find half yearly consumption of each drug. → Multiply it by unit cost. → Arrange items in descending order. → Calculate cumulative annual consumption cost.

Category	Percent of Items	Percent of Investment
A	10-15	70-80
B	20-25	15-25
C	60-70	5-15

Top 10% of items will be consuming 70% of annual consumption cost- these are A category drugs.

Next 20% of items will be consuming 20% of annual consumption cost- these are B category drugs.

The rest are C category drugs.

FINDINGS AND ANALYSIS

ABC **analysis** revealed that -

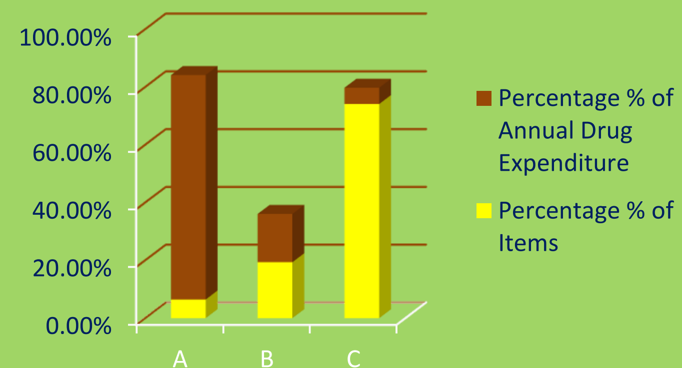
6.45% of drugs belong to category **A** and the amount spent is **Rs. 81888613.2**

19.39% of drugs belong to category **B** and the amount spent is **Rs. 17547559.97**

74.16% of drugs belong to category **C** and the amount spent is **Rs. 5849186.657**

1. No virtual vendor management.
2. Improper handling of DRMS.
3. EOQ method for slow moving drug is not proper.
4. Lack of information among staff of when and how medicine to order.
5. Less return of invested money in slow moving drugs.

Category	Percentage % of Items	Percentage % of Annual Drug Expenditure
A	6.45%	77.70%
B	19.39%	16.70%
C	74.16%	5.60%
TOTAL	100.00%	100.00%



RECOMMENDATION

The study has analyzed the inventory of drugs as per their cost and criticality. It is expected to guide the management to delegate the responsibility to different officers and apply the "***Principle of Management by Exception***".

Moreover it will facilitate the management in controlling the cost and ensure the availability of vital and essential items in the hospital which will be in the interest of patients and the administration. It is also suggested that the sales counter inventory be also analyzed which involves more costly drugs and have much more financial implications.

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