CONSIGNMENT IMPLANT ORDER AUTOMATION GUIDE

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CONTRIBUTOR RECOGNITION

The guidelines in this document are the direct output of a workgroup GHX convened in 2022 to brainstorm and identify solutions and recommended practices for simplifying implant automation processes. Thank you to the 42 individuals from leading providers, suppliers and other healthcare organizations who volunteered their time and expertise to helping advance this complicated topic.

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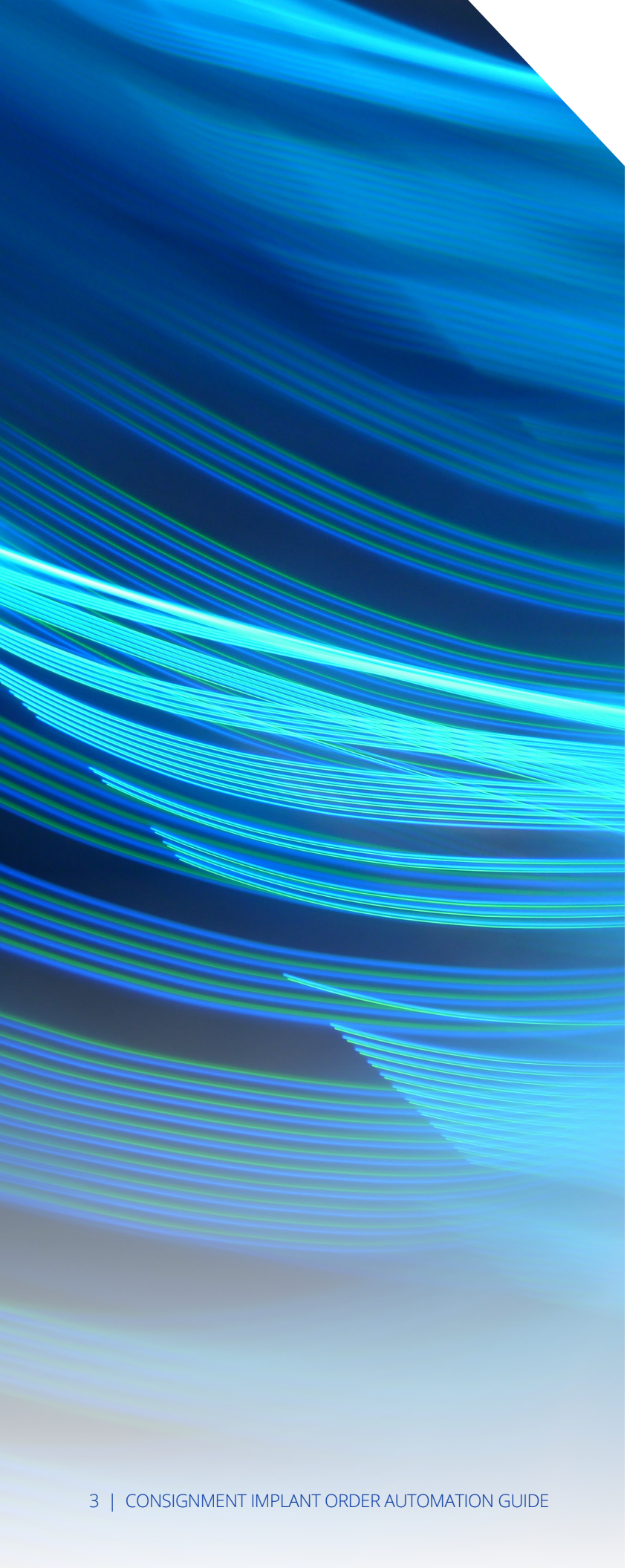

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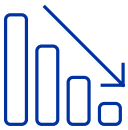
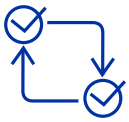


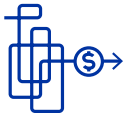
Reduce frequency of pricing discrepancies and time to resolve



Reconcile purchase order (PO) to supplier sales order (SO) prior to invoicing

Reduce administrative tasks and costs

Decrease times to PO, invoice and payment



Improve days sales outstanding

INTRODUCTION

Overview

The unique nature of consignment implant orders complicates healthcare procurement and invoicing processes. Standardizing and automating processes can help drive savings and better visibility across hospital procurement and supplier fulfillment departments.

Problem

Even when a standardized and automated process for consignment implant orders is implemented, many organizations continue to struggle with its complexities. Understanding and interpreting terminology and meeting individual trading partner preferences is challenging and leads to confusion and inconsistencies.

This guide shares recommended practices for handling four subtypes of consignment implant orders:

- Bill-only
- Bill-and-replace
- Waste-only
- Replenish-only

See page 7 for definitions. See page 9 for the work group's recommended practices.

Goal

This guide features community-built recommendations for automating consignment implant orders with an actionable checklist. It focuses on the minimum data elements necessary to support consignment implant orders, including how to simplify yet maximize the automation potential.

RATIONALE FOR THE WORK GROUP

At the GHX Summit 2022, overwhelming attendance at sessions about automating and standardizing consignment implant orders indicated that the healthcare community was eager to improve the processes around these orders. Furthermore, a 2022 GHX survey of healthcare providers found that automating these orders was a high priority, with consignment implant orders accounting for roughly 10% of all POs. In response to this strong interest, the Consignment Implant Work Group was formed, consisting of key providers and suppliers.

The group identified the need for a best practice guide with definitions and community recommendations that both providers and suppliers could use to help standardize and automate consignment implant orders.

Work group participants came together for four working sessions. This guide is the first version of their recommendations. The group plans to review and revise the guide periodically as the needs and capabilities of the healthcare community mature.

HISTORY OF CONSIGNMENT IMPLANT ORDERS

Health systems often have to work with a large number of consignment implant vendors, making it difficult for buyers to keep track of what specific trading partners require, including where to send orders and what documentation to provide.

The capabilities of providers' enterprise resource planning (ERP) and materials management information systems (MMIS) vary, which creates barriers to sending automated consignment implant orders electronically. Coupled together, these challenges have historically led to providers reverting to manual processes for consignment implant orders.

UP TO 40%	of a buyer's time is spent on order processing and exception management.*
1-3%	of total med-surg spending is wasted on missed contract compliance savings.*
40-60%	of total supply spend consists of implants and other.**

* *Numbers are based on GHX's internal statistics*

** *According to an article in National Library of Medicine, Physician preference items: what factors matter to surgeons? Does the vendor matter?, PPI comprise 40-60% of a hospital's total expenditures on supplies (total supply costs).*

DEFINITIONS AND TERMINOLOGY

Consignment

Consignment products purchased by a provider from a vendor (i.e., a supplier or distributor) remain vendor-owned even after delivery to the provider. Once consumed or implanted, the provider must generate a purchase order for replenishment. Consignment items are mostly implantable items, but not always. The specific items and quantity of product to be kept onsite, along with other partnership details, are generally governed by a business agreement between the two trading partners.

Consignment Implant Order

The consignment implant order type falls into the complex order category. This PO type is more difficult than a standard PO because it has four subtypes (at right), and each subtype requires additional item detail information.

Note that while the terms "consignment implant order" and "bill-only implant order" are often used interchangeably, "bill-only" actually refers to one of the four subtypes.

Consignment Implant Order Subtypes

Bill-Only (BO)

*Also known as **Trunk Stock***

Indicates products and quantities which a supplier sales rep carries into a provider location to be used for a procedure. Some provider buyers also use this order type to reduce their consigned par levels by sending a bill-only designation, so the supplier knows what was consumed from consignment but is being asked not to replenish or restock.

Bill-and-Replace (BR)

Indicates which on-premises, vendor-owned consigned inventory items and quantities have been used and need to be replenished.

Replenish-Only (RO)

*Also known as **Requisition-Only.***

Indicates items and quantities to be delivered as no-charge items. Can be used to establish consigned inventory or increase consigned inventory counts at the provider.

Waste-Only (WO)

Indicates items and quantities that were not able to be implanted or used; also referred to as Open-Not-Used (ONU). Depending upon business agreement between the trading partners, the items may or may not be replaced.

Attribute Fields

Case ID

Provider-generated unique IDs, generated by the clinical system and representing the procedure or surgery event

Doctor Name

The provider performing the procedure, also generally known as the attending physician

Lot Number

A supplier identifier that represents a specific production cycle and is tied to an expiration date

Medical Record Number (MRN)

A provider-assigned unique ID used to identify the patient

Procedure Date

The date that the procedure or case occurred, also known as the date of service

Sales Order ID

A supplier-generated unique ID for the case event and items

Serial Number

- A supplier-assigned unique ID for each individual product
- All implantable products contain a serial number

Salesperson ID

A sales representative identifier; it can be a code or name

RECOMMENDED PRACTICES

Provider Recommendations

Topic	Note	Recommendation
Expedited Needs	BR and RO may require rush delivery.	Buyer sends order electronically using EDI-approved expedited codes. Supplier should support a process to read electronically expedited codes, confirm timely and contact buyer if cutoff is missed.
Header vs. Line-Level Subtypes	Most suppliers prefer line level.	If provider has capability, preference is to send at the line level.
Line Quantity	Representation on the PO line of how many of that SKU/Part was used.	For BO, BR, WO: • Each line should not exceed a quantity greater than 1. • Each line should not contain more than 1 serial and/or lot number.
Minimizing PHI Risk	Procedures involve patients. Need to communicate via PO but minimize risk.	Use Sales Order ID instead of Case ID and send only minimum needed. Provider has already recorded the other case elements in their electronic medical record (EMR) and supplier has in their own system. Not recommended to send on the PO.
Mixing Subtypes	Provider buyer sending more than one subtype on the same PO (BO, BR, WO, RO).	Not recommended at this time. Buyer to send separate PO for each subtype.
Order Delivery Method	EDI, email, fax, phone, direct delivery to rep.	EDI for all consignment implant types.
Purchase Order (850)	To reduce PHI and simplify the process, identifying the fewest number of data elements needed for supplier to process.	Provider will send PO with line-item detail. Provider required to send two data attributes: 1. Sales Order ID* or Case ID 2. Lot Number or Serial Number** If supplier receives additional data attributes, do not fail the order.

** Preferred*

*** NOT required for Replenish Only; if supplier receives additional data attributes, do not fail the order.*

Supplier Recommendations

Topic	Note	Recommendation
Advanced Ship Notice (856)	Sent to let buyer know that product requested on the order has been shipped. At minimum should contain carrier and tracking information.	Required for BR and RO.
Invoice (810)	Sent to bill the buyer for items used.	Required for BO, BR, WO. Invoice lines should match the sequence of the buyer's PO to ensure touchless processing of invoices.
Purchase Order Acknowledgment (855)	Sent to confirm order has been received by the seller.	Required for BO, BR, WO, RO.
Timing of PO Submission Post Case Completion	When should the seller receive the PO from the buyer? This time is measured in hours or business days after the case has been completed.	BR same day preferred; no later than 2 business days. BO, WO, RO: no longer than 5 business days.
Timing of Sales Implant Record Sheet	When should the buyer receive the implant record sales order sheet from the supplier rep?	BO, BR, WO: same day preferred; no later than 2 business days.

AUTOMATION CHECKLIST

Phase 1 – Planning

Step	Task	Description	Purpose
1	Consider automation opportunities if moving to a cloud ERP.	Providers moving to a cloud ERP should include complex order automation in their ERP migration strategy and discuss it with their ERP vendor representative early in the planning process.	The adoption of cloud ERPs creates new opportunities for automation as part of a shift towards digital transformation.
2	Establish baseline PO metrics.	Quantify the volume of monthly consignment implant orders, the quantity of each subtype and the number of trading partners. • **Providers:** % of annual PO count • **Suppliers:** % of overall PO count by division(s)	Use to quantify the opportunity, prioritize subtypes and identify trading partner opportunities. Use to justify a new project start, measure its progress and the ongoing value of added automation.
3	Document discrepancy rates and other data points.	Identify the number of discrepancies: part number, unit of measure, pricing, invoice line sequencing, etc. The number or impact of missing order confirmations, advanced ship notices and invoices. • **Providers:** PO to invoice receipt and payment cycle time • **Suppliers:** DSO	Quantify opportunity, measure ROI of increased touchless automation, impact to discrepancies, cycle times and DSO.
4	Document current-state process for each PO subtype.	Capture time, resources involved and process issues for each subtype. What are the varying ways this order type and its subtypes are handled? • **Providers:** document the requisition-to-PO-submission processes • **Suppliers:** document the PO-to-payment process	Identify cost of current process while identifying opportunities for more automation for each subtype.
5	Document current-state process for return documents: purchase order acknowledgment (855), advanced ship notice (856), invoices (810)	Capture time and resources involved related to each type of return document processing. What are the varying ways for each return document, for each subtype? • **Providers:** how received and consumed • **Suppliers:** how generated and sent	Identify cost of current process and issues while identifying opportunities for more automation.

Phase 2 – Automation

Step	Task	Description	Purpose
6	Review technical requirements and community recommendations guide.	Follow technical guide and community recommendations. • **Providers:** send consistent info, automate all subtypes possible • **Suppliers:** accept all subtypes electronically; use other tools and options for subtypes not yet electronically consumable	Use this information to begin your gap analysis, to document the move from current state to a desired future state. Incorporate into your automation project plan.
7	Conduct a gap analysis.	Determine what is needed for ERP/MMIS to support consignment implant orders and the two data element recommendations, along with all return documents.	Work with ERP/MMIS support service and your supply chain network provider to discuss options for closing gaps and making the automation of all subtypes possible.
8	Create a prioritized automation plan.	Determine automation options, the order in which subtypes can and will be automated, prioritize trading partner target list, needed resources and timeline.	Recommended practice.
9	Create a change management plan that includes new standard operating procedures (SOPs) and a communication plan to all stakeholders.	Identify all stakeholders, communicate changes and train users on new SOPs. • **Providers:** communicate with buyers, requisitioners, AP. • **Suppliers:** communicate with reps and customer service.	Define change management requirements.

Phase 3 – Ramping Up

Step	Task	Description	Purpose
10	Implement recommendations.	Test technical requirements and apply standards recommended in this document.	Maximize automation.
11	Review available certified trading partners.	Review capable trading partners list, business agreements and current process with partner.	Some business agreements define automation requirements, penalties or fees that may be reduced with automation. Early payment discounts may apply.
12	Have a preferences discussion with trading partner.	Discuss subtypes (BO, BR, WO, RO) to be supported, any special preferences and how and when current process will change.	Recommended practice.
13	Optional: e-commerce readiness price catalog.	Supplier sends price catalog updates electronically.	Buyer updates item master with correct product catalog number, UOM and price to help reduce discrepancies.
14	Test in production with trading partner.	Register trading partner (if needed) for electronic ordering for each account number for PO, POA, ASN and invoice. • Buyer sends a production test for each supported subtype • Supplier confirms receipt and sends return documents • Trading partners confirm success and move to full production path	Recommended practice.
15	Repeat utilization process with other capable trading partners.	Recommended practice.	Recommended practice.

RECOMMENDATIONS SUMMARY

To maximize automation, reduce variations, and increase efficiencies:

- **Automate all subtypes:**
  - Providers send all subtypes electronically
  - Suppliers accept all subtypes
- **Providers send and suppliers accept minimal data elements:**
  - Sales ID (preferred) or Case ID
  - Lot or serial number
- **Adhere to recommended timing:**
  - Case sheet to provider
    - Preferably same day; no later than 24 hours after case completes: BO, BR, WO
  - PO to supplier:
    - Up to 2 business days for BR
    - Up to 5 business days for BO, WO, RO

Your Feedback

If you have ideas for future updates to these guidelines, contact the GHX Industry Adoption team at **industryadoption@ghx.com**.