



5 Inventory Management Mistakes That Cost You Money and How to Fix Them

By Amy Anderson, MBA

Managing inventory may not be the sexiest topic in plastic surgery practice management, but it is an essential part of managing a practice's financials. And frankly, we often find serious deficiencies with practice's inventory controls that result in wasted product at best or misappropriation and stealing at worst. It is a costly mistake to not have a proper inventory management process in place.

We recently worked with a plastic surgeon in the Southeast with a bustling surgical practice and busy medspa. We had reason to believe that inventory counts were off, so we started asking questions and looking around the office to assess the situation.

We found syringes of filler stored in three different cabinets without clear reason. Boxes were haphazardly put away, making it difficult to see labels, and we uncovered a handful of expired product syringes.

The freezer held vials of neurotoxins for patient use as well as complimentary staff vials, but not all were clearly labeled. More expired product.

The post-op garments were all over the place. Most were in the patient coordinator's office; some were on a shelf in the clinical supply room; a few were discovered shoved out of sight (and arguably out of mind) in the back of a cabinet in the special procedure room.

Skin care products were stored everywhere, spread among three different locked drawers and two locked cabinets, again, without rhyme or reason. Each time a product was sold, the receptionist embarked on treasure hunt to find the cleanser or eye cream to bag up. And guess what? Yep, we found more expired product.

The practice was losing money from over ordering and disorganization that resulted in expired products. And though we found no evidence of foul play, the opportunity was ripe. No one had a clear idea of what was supposed to be in inventory, and a product could walk away with none the wiser. Sadly, this practice is not unlike others we visit.



Mismanaging inventory is costly but developing an effective and efficient process is easier than you think.

Let's examine the common inventory management mistakes that are costing plastic surgeons money.

Mistake #1: Failing to identify all the inventory items in the practice

Inventory is not just the lotions and potions and magic creams the aesthetician sells. In reality, there are five main areas of inventory in a typical plastic surgery office:

1. Retail products
2. Injectables
3. Implants
4. Garments
5. Clinical/surgical supplies
6. Office supplies

Each category of items requires careful monitoring to ensure items are ordered, stocked, and sold (when applicable) without loss to the practice. Make the mistake of only focusing on retail products and you're ignoring other substantial expenses.

Mistake #2: Lumping all inventory expenses under "medical supplies" on the profit and loss statement

It is impossible to determine the profitability of injectables, for example, if all the product expense is jumbled in with the cost of table paper and cleaning wipes on the P&L. Instead, give each category their own Expense sub-account. Then, compare the product expense with a revenue report from the practice management (PM) system to assess profitability.

Medical Supplies

Implants	\$39,268
Injectables	\$367,505
Garments	\$2,685
Skin Care Products—For Sale	\$86,708
Medical Supplies—General	\$14,994

Total Medical Supplies\$511,160

Mistake #3: Not investing in appropriate software to manage inventory

When you decide to sell products, you've also made the decision to purchase inventory software. It is non-negotiable! This is not the area to cut corners in attempts to save money.

The good news is most PM systems designed for plastic surgeons have an inventory module built-in or available as an add-on. Staff enter in

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new inventory items, and the system deducts from the count each time a bill is entered for an inventory item, maintaining an accurate inventory count in real time.

Use the inventory tool to monitor lot numbers and expiration dates so the system will alert you when product will soon expire. Most systems allow the user to establish re-order points, so the practice is alerted of low volume with sufficient time to place and receive more product.

Finally, a good PM system will provide detailed reports on inventory counts and values and allow you to track for multiple locations if needed.

Mistake #4: No written process for ordering and stocking, selling, and counting inventory items

Managing inventory involves multiple steps and staff members, and there are many moving parts. A written protocol defining Who, What, Where, When, Why, and How is key to maintain an organized and accurate inventory system.

We once worked with a manager who did a full count on all inventory items after hours, as recommended. She would print a report from the PM system that listed each item and the number of units supposedly on hand. She then physically counted syringes, vials, bottles, and tubes and noted any discrepancies on the report.

Yet she missed the final step of going back to the PM system and updating the current counts. They had no written process, and it didn't occur to her that she was missing a step. So, each week she continued to note the same discrepancies over and over. Some might call this the definition of insanity. We instructed her to enter the updated counts in PM system and then helped her write out the step-by-step process to ensure anyone tasked with this duty in the future would not repeat the mistake.

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Conduct an Inventory Count in 4 Easy Steps

1. Run a report of inventory counts from the PM system.
2. Physically count each item before or after clinic hours (during a time when products are not being sold).
3. Record the actual number of units counted for each product in the PM system and adjust for overages/shortages as needed.

Mistake #5: Not entering a bill for "free" products

There are several occasions when a practice might give a patient a "free" product or service. Savvy practices include skin care products in the quote for laser treatments or facial surgery. Some bundle the cost of garments and scar gel into the surgery quote to avoid the appearance of nickel-and-diming.

Yet if a charge is not created, you risk throwing off the inventory counts. Furthermore, the practice cannot easily report on the value and cost of products given away.

Regardless the reason for giving away a product, always create a charge for the item on the patient's account in the PM system for tracking purposes. Discount it by 100% if it is to be given as free.

Mismanaging inventory is costly but developing an effective and efficient process is easier than you think. Use the following "Required Elements of a Comprehensive Inventory Protocol" to guide you in writing a custom process for your practice.

Required Elements of a Comprehensive Inventory Protocol

Develop a comprehensive inventory protocol detailing each step in the process.

- ✓ Ordering
 - Who in the office is authorized to order?
 - What are the purchasing limits? What is the step-by-step process for placing an order?
- ✓ Receiving
 - Who is responsible for opening deliveries and ensuring the enclosed items match the packing slip? What details must be recorded in the PM system (i.e. Lot number, expiration date)?
- ✓ Stocking
 - Where does each inventory item get stocked? How specifically should the items be arranged (i.e. newest product at the back or bottom, expiration dates facing out)?
- ✓ Billing
 - How are inventory items billed in the PM system? How are free products handled?
- ✓ Counting
 - How often is inventory to be counted and reconciled? Who is responsible? What is to be done when there is a discrepancy?
- ✓ Paying
 - Who receives the invoice? How is the invoice determined to be accurate (i.e. invoice matched to packing slip that was initialed by person who received the order)?

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