


<p>Name of Policy: <u>Supplier Owned Inventory (Consignment) Policy</u></p> <p>Policy Number: 3364-40-06</p> <p>Approving Officer: Executive Vice President for Finance and Administration and CFO</p> <p>Responsible Agent: Senior Director, Supply Chain Management</p> <p>Scope: The University of Toledo Medical Center</p>	 <p>Review date: October 7, 2019</p> <p>Original Effective date: December 10, 2012</p>						
<table border="0"> <tr> <td data-bbox="178 762 808 840">New policy proposal</td> <td data-bbox="808 762 911 840"><input type="checkbox"/></td> <td data-bbox="911 762 1502 840">Minor/technical revision of existing policy</td> </tr> <tr> <td data-bbox="178 840 808 947">Major revision of existing policy</td> <td data-bbox="808 840 911 947"><input checked="" type="checkbox"/></td> <td data-bbox="911 840 1502 947">Reaffirmation of existing policy</td> </tr> </table>	New policy proposal	<input type="checkbox"/>	Minor/technical revision of existing policy	Major revision of existing policy	<input checked="" type="checkbox"/>	Reaffirmation of existing policy	
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(A) Policy statement

The University of Toledo Medical Center (UTMC) will enter into a supplier-owned inventory (consignment) agreement in which UTMC will set forth the terms and conditions under which products will be consigned to the hospital. All consignment agreements must be contracted and signed off by UTMC's purchasing department.

(B) Purpose of policy

To ensure UTMC maximizes its financial position as effectively as possible, the hospital will consider consignment options when acquiring medical supplies. This policy sets forth the terms and conditions under which a supplier will provide consignment inventory of certain products in the quantities mutually agreed upon for the purpose of minimizing UTMC's investment in inventory, and to ensure that products are readily available when required to meet patient needs. UTMC will not accept liability for products or equipment unless specifically stated and agreed upon.

(C) Definitions

Consignment inventory – a product or group of products provided by a supplier, stored on UTMC property but not paid for by UTMC until actual use. These products typically have a shelf life and may represent high dollar values.

Supplier – any representative of a manufacturer or company who visits UTMC for the purpose of soliciting, marketing, or distributing products or information regarding use of products, equipment and/or services.

Zero cost purchase order (PO) – written document the supplier will use to ship the initial consignment inventory quantities to UTMC.

PAR level – the maximum inventory level of consignment product, mutually agreed upon, to be held by UTMC and to which the supplier and inventory control department will insure quantities of stock will never exceed.

Periodic inventory review (PIR)– the process of evaluating inventory levels on a regular basis to determine if correct level of inventory is accurate, if current product is still required, if new or improved product should be added, or replacement of existing product near to or past expiration date.

(D) Procedure/requirements

The following procedures and requirements apply to consignment inventories:

- (1) Consignment agreement – requests for consigned products will be initiated by the requesting department in which the products will be placed. All agreements will be reviewed, approved and managed by the purchasing department. All agreements will follow UTMC's contract approval routing process.
- (2) Initial consignment inventory – all products to be consigned must have a completed and signed consignment agreement on file in the purchasing department. Supplier agrees to provide UTMC consignment inventory consisting of specific products as listed in the consignment agreement. The consignment inventory is placed by the supplier at no charge to UTMC with the use of a zero-cost purchase order. Shipping or hand delivery instructions will be provided on the purchase order. The delivery of the consigned

products should take place at an agreed upon time with the inventory control department. Upon receipt and validation of consigned quantities, inventory control will notify the purchasing contract manager for item build in ERP system.

- (3) Consignment inventory levels – consignment inventory will be limited to the mutually agreed upon levels between supplier representatives, the requesting department and purchasing based on current usage of similar products. The supplier may not use UTMC as a storage facility for products not represented on the consignment agreement.
- (4) Ownership and inspection – UTMC recognizes that consignment inventory is the property of the supplier. As such, it is the responsibility of the supplier to conduct a periodic inventory review on a quarterly basis for expiring and outdated products, and to replace any such products in a timely manner with like-for-like product at the then contracted price. Under no circumstances will UTMC be responsible to pay for supplier owned, expired product.
- (5) Periodic inventory review – on a quarterly basis, an inventory review is to be conducted and documented. The inspection report must be signed by a supplier representative and a person from UTMC’s inventory control team. With reasonable notice, UTMC agrees to provide supplier’s escorted access to its inventory to conduct inspections of consignment levels, verify quantities and condition of the inventory. All adjustments to the inventory are to be documented on the “PIR” form.
- (6) Modifications to consignment inventory – any additions, deletions or changes to the consigned products must be in writing and presented to the purchasing department prior to modification being made. Substantial changes to products (i.e., changes to product itself, packaging, pricing, catalog number) will require approval from purchasing prior to its deletion or addition to the consignment inventory.
- (7) Pricing- purchasing is responsible for negotiating pricing for consigned inventories. Pricing must be agreed to in writing prior to any product being delivered. Pricing should be held firm for a

minimum period of at least one (1) year from the date the agreement is signed.

- (8) Return of inventory – UTMC can, at any time, return unused or expired items from consignment inventory to supplier. “Unused” is defined as any unopened package, regardless of package condition. For sterile products, “unused” is defined as product whose sterility has not been compromised.
- (9) Reductions in inventory levels – upon completion of periodic inventory reviews, if an item has not been utilized in a reasonable time period, the need for that item to be consigned will be reassessed. Supplier retains the right to have an item removed from UTMC upon their discretion after providing UTMC with a thirty-day notice.
- (10) Inventory replacement – upon use of a consigned item, UTMC will issue a purchase order for the replacement of consumed item. The supplier will bill UTMC for the replacement item referencing the purchase order number. Failure to submit invoice with proper “PO” number will delay payment.
- (11) Product recalls – supplier shall notify UTMC inventory control and purchasing departments immediately of any product recall or alert, voluntarily or otherwise. Supplier agrees to respond timely to any UTMC generated recall, or alert.
- (12) Term and termination – An agreement shall have an initial term of one year from the signing date, and may be renewed for successive one-year terms upon the mutual written consent of supplier and UTMC. An agreement may be terminated, without cause, upon thirty days advance written notice by either party.

<p>Approved by:</p> <p><u>/s/</u> Sharon L. Gaber, Ph.D. President</p> <p>October 7, 2019 _____</p> <p>Date</p> <p><i>Review/Revision Completed by:</i></p> <p><i>Senior Director, Supply Chain Management, SLT</i></p>	<p>Policies Superseded by This Policy: Previous 3364-10-07, <i>effective date January 28, 2019</i></p> <p>Initial effective date: December 10, 2012</p> <p>Review/Revision Date: January 28, 2016, October 7, 2019</p> <p>Next review date: October 7, 2022</p>
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