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## New Horizons: Hospital Revolving Fund (HRF)

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### **Overview**

There are very few institutes that have “**Hospital Supply Chain Management**” of drugs & medicines, surgical goods, vendor managed inventory and outsourcing of patient care & services. They continue to have traditional Store & Purchase and Accounts departments and have often failed to appreciate the power of “**Business Process Re-engineering**”

The traditional Store & Purchase and Accounts departments are not able to encounter the new age “**Challenges & Opportunities**”. The Supply Chain Management of hospital consumables needs corporate thinking. It includes dream thinking of President of the Institute, Director, Secretary- Medical Education, Secretary- Finance, Medical Suptt and other senior faculty members of the Institute to become “**patient friendly procurement cell**” Thereafter one can think about the unique “**Drugs Distribution System**” at public Institute.

Considering all factors & drivers, the 44th Governing Body of Institute created the Hospital Revolving Fund (HRF) in its meeting on 30th June 1997 with a “**Mission Supply All**” at the competitive rate and re-engineering of resources and infrastructure for distribution of drugs & medicines including surgical consumables on the “**Principle of Self-sustainability**”.

As a matter of fact, the concept of “**Revolving Fund**” was evolved over a period of time comprising many different facets of the hospital functions. The initial concept of Revolving Fund was to process and procure the requirement of hospital consumables on the principle of self-sustainability from non-plan income of the Institute. This system was largely capable of handling the requirement of the patients’ care & services at the Institute. “**Hospital Revolving Fund**” has become a broad based concept and it is well known procurement activity of drugs & medicines and surgical goods of the Institute.

Hospital Revolving Fund (HRF) is a brainchild of Sanjay Gandhi Post Graduate Institute of Medical Sciences, Luck now. HRF emphasizes on hassles free procurement & distribution of drugs & medicines and surgical consumables. It works on the principle of “**self-sustainability**”. HRF plays a significant role in the patient care activities at the Institute and provides tremendous opportunities for improvement of “**operational efficiencies**” of super speciality hospital. The supply management of hospital consumables has changed the views and opinion of all stakeholders over a period of time. HRF has done commendable job to sustain the position and growth. It is the most “**prestigious procurement**” activity started in the state’s premier medical institution.



HRF is a combination of three major activities; it includes procurement, storage & distribution of goods & services and hassles-free payment to the vendors. The state of art procurement of HRF is quite different from “**Conventional policy & procedure**” that not only makes them good but different from others also. It was a move of 44th Governing Body of the Institute and coupled the brilliant idea with powerful vision & mission of “**supply all**” the drugs & medicine and surgical consumables on the “principle of cost recovery” at competitive rate from patients as compared to local market. The Governing Body of the Institute has set excellent goals & objectives, which amount to amazing working of HRF at the public Institute.

**Goals & objectives set by 44th Governing Body of the Institute**

- “Mission Supply All” should be the motto of new system.
- Round the clock availability of Drugs & Surgical consumables.
- Patient satisfaction through customer relationship management.
- New system should adhere to the principle of self-sustainability.
- Clinician and Doctors should involve in quality control.

HRF was created by initial corpus money and grant of Rs. 50 lac. The good business practice and timely payments to the suppliers have infused the great confidence in most of the vendors. HRF has “**unique terms of payment**” plan also. All internal transactions relating to patients’ billing, payment and issue of goods are computerized.

Rapid growth of the Institute and unprecedented success of the “**Revolving Fund**” system was further modified when a distinction was made between “**Hospital Consumables**” and “**Lab Consumables**”. It was realized that the modified system should be result oriented.

In other words, unstoppable growth of HRF originated a similar idea to re-organize the procurement process of lab consumables also on the “**principle of self-sustainability**”. Moreover, Investigation Revolving Fund (IRF) is based on HRF model and lines, which provides “**complete autonomy**” to the users, indenters and HOD(s) for indenting the lab consumables required for to perform the accredited tests & investigations listed on “**Hospital Information System**” (HIS).

Further, there is a general opinion of all the stakeholders that HRF & IRF both are classical examples of successful procurement process and hassle-free payments at Sanjay Gandhi Postgraduate Institute of Medical Sciences, Lucknow and both the revolving funds brought a great revolutionary change in the ‘Materials Management’ functions at the Institute and enhanced the efficiency of hospital services by better process and policy. Similar institutes and / or super specialty hospitals are very much keen and trying hard to start such “**modified procurement policy & procedure**” for seamless working.

The concept of revolving fund is a “**great discovery**” and new “**purchase mantra**” of the Institute and plays a significant role in the smooth and effective functioning of the Institute.



## ***What is Revolving Fund?***

Recovery of cost of goods & services and the procurement management of hospital consumables is known as “**Revolving Fund**”. The purpose of the revolving fund is to generate enough revenue to pay the cost of procured goods & services to in order become self-reliance activity of the Institute. In other words, the hospital business area of non-plan income is used to the supply of goods & services without fiscal year limitations. The revolving fund operates on the “**Principle of Self-Sustainability**”. It makes no profit. Sanjay Gandhi Postgraduate Institute of Medical Sciences had two types of revolving funds. Both the revolving funds i.e. “**HRF & IRF**” work on the principle of self-sustainability and its scope & operations are entirely different in nature but the basic tenet of revolving fund is to create “**Customer Relationship Management**” on corporate thinking.

## **Concept of Revolving Fund**

The Governing Body of the Institute created the revolving fund to re-organize the state of affairs of hospital consumables in most proficient & cost effective manner on the principle of self-sustainability. There was an aim behind creating of the Revolving Fund to have such a fund to be utilized for hassles free procurement & payment of hospital consumables.

## **Expected key benefits of Revolving Fund**

- Better accountability & monitoring
- Best utilization of resources & funds
- Uninterrupted supply of goods & services
- Supply of best goods at best possible price
- Self-reliance activity

## ***Some Intangible facts of Revolving Fund***

- It is a credible procurement & payment policy of the Institute
- It helps in focusing the rapid procurement & payment of goods & services
- It makes sustainable and unstoppable growth of the Institute
- It keeps a pace with traditional beliefs and old mindsets
- It is a highly motivated approach of procurement process
- It works on the principle of activity related income & expenditure

## ***Definition of Hospital Revolving Fund (HRF)***

Hospital Revolving Fund (HRF) can be defined as a process of procurement of hospital consumables on the principle of self-sustainability, classifying the requirements, distribution of goods through its outlets and peripheral stores, realization of cost, communicating the financial data for online billing and to take a meaningful decision in the interest of patient care & services keeping away the government’s annual grants & budgets for the purchase of hospital consumables. HRF is a combination of three major activities that is Procurement & distribution and Realization of cost and payment to the vendors.

### **What makes different from each other?**

HRF is a Business Process Module”

“Modus operandi & Approach” are totally changed in all functions

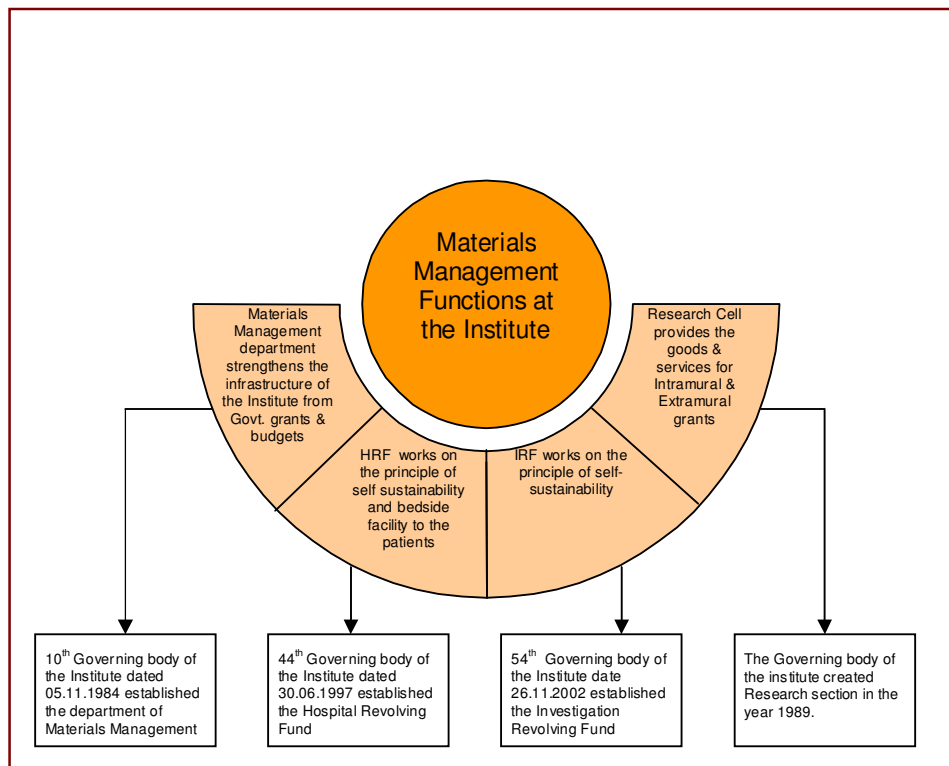
However, “Public Buying Rules” are same in all functions

HRF & IRF both are “Patient Friendly Procurement Cells”

Both the Cells are feasible, viable and sustainable in the long term

Research Purchase is based on grant-in-aid

### **Structure of Materials Management Functions at the Institute**



### **Scope of work**

HRF deals with the procurement of Drugs & Medicines including Surgical Consumables, Dressing materials; Endo-mechanical products, Vendor Managed Inventory and outsourcing of patient care services from reputed and genuine manufacturers and /or importers. HRF procures preferably US-FDA, WHO-GMP; DGQA & CE approved quality products for. However, the Clinicians, Doctors and Surgeons play a vital role in decision-making & evaluation process of the products that provides the valuable and comprehensive technical advice on the state of art procurement, use of the products, reliability, dependability etc. In other words, HRF acquires the needed goods and services with due consent of the users at optimum cost from reliable & dependable source of supply.



**Outsourcing of Maintenance Free Equipments**

Blood Gas Analyzers  
Dialyses Reprocessing Unit  
Acute Pain Care Service  
International Normalized Ratio (INR) / Prothrombin Time (PT)  
Hemoglobin / Hematocrit Drug Assay  
Cardiac Enzymes Quantitative Assay

***Role of HRF Management Committee***

HRF Management Committee was nominated & formed by the Director of the Institute for smooth and seamless functioning of HRF. There are seven members in this committee. The committee is responsible & accountable for formulation of policy & procedure of day-to-day functioning & management, designing & development of standard operating procedures (SOP), streamline the procedure & system and review the system from time to time. HRF Management Committee has significant role and very much practical in functional approach of patient care services to ensure the seamless working of the system. HRF Management Committee deals with the policy matters including finalization of rate contracts and negotiations. The Director approves its recommendations for effective implementation. The chairman of committee is also supervised the entire functioning of HRF and submit its recommendations/ suggestions to the Director regularly. Present members are

Prof. Rakesh Kapoor, HOD, Urology	-	Chairman
Dr. A. K. Bhatt, Medical Superintendent	-	Nodal Officer
Prof. A.K. Baronia, HOD, CCM	-	Member
Dr. Amit Agarwal, Deptt of Endo Surgery	-	Member
Dr. Aditya Kapoor, Deptt of Cardiology	-	Member
Dr. Sushil Gupta, Deptt of Endocrinology	-	Member
Sr. Accounts Officer (HRF)	-	Member
Store Purchase Officer (HRF)	-	Member-Secretary

***Purchase Policy & Procedure***

**Execution of Requirement & Procurement**

Execution of indents & requirements are based on realization

**Storage & Distribution of goods**

No annual orders & distribution

**Remittance & Realization of cost**

Hospital A/c's has been remitting the collection to HRF bank A/c

**Payments & Accounting**

On accrual basis and all payments are made from day to day proceeds

**Accounting & Recording**

Mercantile system of accrual accounting is followed for final A/c's & Balance Sheet

## Purchase

The basis of purchase of Drugs & Medicines including surgical goods has been defined in recent past with the help of Finance & Accounts in order to avoid the routine audit objections. As a matter of fact, there are two basis of purchase of such goods at the Institute's HRF. Non-life saving drugs & medicines including surgical consumables are procured on L1 basis and some of the pre-identified life saving drugs & medicines and surgical consumables as identified by the Committee and approved by the Director are procured on multiple inventories basis under rate contracts. These life saving drugs & medicines including surgical consumables are identified prior opening of financial bids. HRF has empanelled all such vendors up to LS-4 out of which LS-1 is on regular supply and LS-2, LS-3 and LS-4 is on demand excluding Research Molecule (RM-Q) irrespective of rate difference. HRF provides only approved consumables on chargeable basis.

### Status of HRF during past eleven years

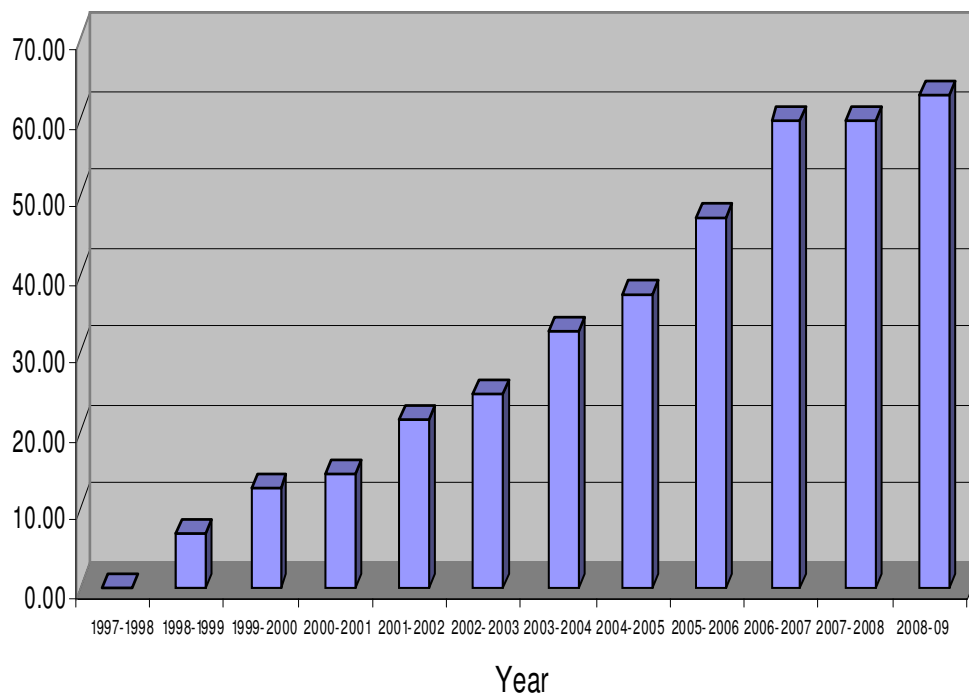
SI. No.	Financial Year	Area Catered
1	Sept 1997-1998	1. Central OT 2. ICU Complex
2	1998-1999	1. Central OT 2. ICU Complex 3. Cathlab
3	1999-2000	1. Central OT 2. ICU Complex 3. Cathlab 4. Selected Group of OPD & Dialysis
4	2000-2001	As mentioned above at 1 to 4 5. All Wards
5	2001-2002	As mentioned above at 1 to 5 6. Stone Centre
6	2002-2003	As mentioned above at 1 to 6
7	2003-2004	1 to 6 as mentioned above 7. Radio diagnosis Centre
8	2004-2005	As mentioned above at 1 to 7 8. Endoscopy Centre
9	2005-2006	As mentioned above at 1 to 8
10	2006-2007	As mentioned above at 1 to 8 9. Emergency Counter 10. 9 <sup>th</sup> Floor Ward Unit Store
11	2007-2008	As mentioned above at 1 to 10 11. Extending GH Pharmacy (2 <sup>nd</sup> Window)
12	2008-09	12 Neurosurgery ICU Store re-organized 13 ICU combined Ward Store created t 3rd Floor
13	2009-10	As mentioned above at 1 to 13 14 HRF Unit Store created at 6th Floor 15 Main OPD HRF extension Counts started

## ***Growth of Hospital Revolving Fund***

### **Turnover**

Sl.	Financial Year	Turnover (In Rupees)
1	1997-1998	193,432.00
2	1998-1999	66,884,631.00
3	1999-2000	127,386,886.00
4	2000-2001	143,333,736.00
5	2001-2002	215,028,514.00
6	2002-2003	245,517,309.00
7	2003-2004	326,947,790.00
8	2004-2005	374,626,246.00
9	2005-2006	472,100,000.00
10	2006-2007	594,544,641.00
11	2007-2008	594,574,583.00
12	2008-2009	627,436,057.00

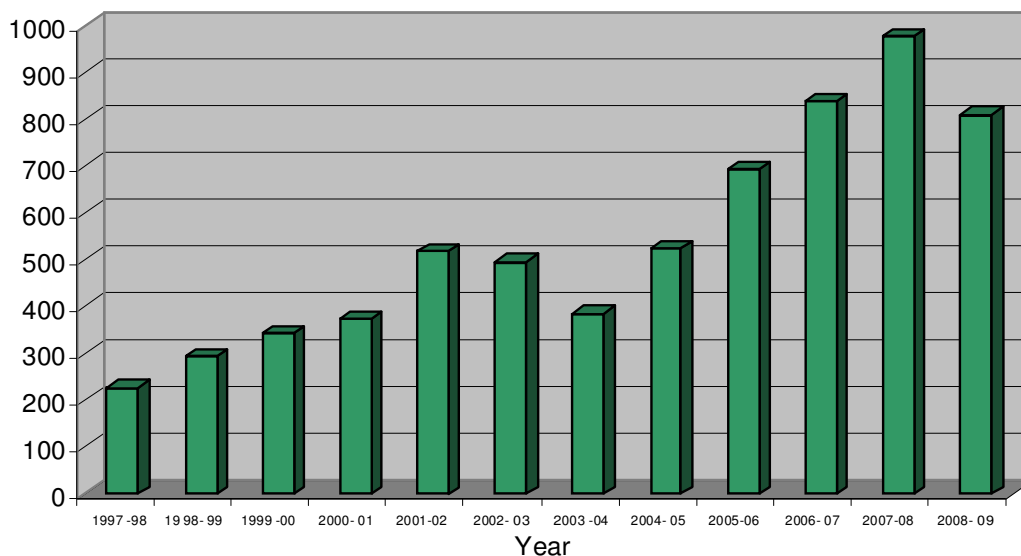
*HRF Growth (in crores)*



### Value of Stocks

Sl.	Financial Year	Closing Stock Value (In Lacs)
1	1997-1998 (September)	226.14
2	1998-1999	293.69
3	1999-2000	343.48
4	2000-2001	373.93
5	2001-2002	516.17
6	2002-2003	494.90
7	2003-2004	385.57
8	2004-2005	521.16
9	2005-2006	691.34
10	2006-2007	834.94
11	2007-2008	975.00
12	2008-2009	808.86

Value of Stock at year end (in lacs)







### ***Historical dates and memorable events of HRF***

In First Phase of Functioning of HRF (1997-98)	Initial activity of HRF was started from Operation Theaters, Intensive Care Unit – on 9th Sept' 1997 Cardiac Cathlab 1998
In Second Phase of Functioning of HRF (1998-99)	Dialysis Lab Immunology Ward Medical Gastroenterology Ward
In Third Phase of Functioning of HRF	All treatment facilities extended by the end of year 2000

### **Mile Stones / Achievements**

1. HRF has fulfilled its aims and objectives by ensuring round the clock availability of quality drugs and surgical consumables at reasonable price.
2. Administrative mandate granted to HRF, inviolability of user fee, inviolability of surcharge provision, provision of advance deposit, local retention of fee, revenue collection and de-centralization of administrative activities etc., have proven their usefulness.
3. HRF has successfully launched the bedside delivery system which commenced from 15<sup>th</sup> August 2001 and the bed occupancy has been ranging from 80% to 95%. In addition to this, an attempt has been made so that no operative procedure be cancelled and / or postponed due to non-availability of required goods & items.
4. HRF has further expended its activities by opening its outlets and extension counter at Stone Centre of Urology department, Radio-diagnosis department, Neurosurgery Ward, 9th Floor, 6th floor, 3rd floor of ward Block area. Most of the patient-wise indenting and billing is computerized and online through Hospital Information System (HIS).
5. HRF has also adopted 24x7-working module, round the clock
6. HRF has been arranging all required consumables. It includes is self-sustaining including payment of wages of security guards, data entry clerks & assistants, deliverymen, messengers etc.
7. HRF has been reporting regularly to the Governing Body, Hospital Board and Institute Body about its unique drug & surgical distribution system. It has become a centre of excellence and learning. Apart from this, a number of management trainee & management students, Doctors, Medical Superintendents and Administrators of Armed Forces and other hospitals have been visiting to see the functioning of HRF. Some of them have been trying hard to start such a system.



### **Task Force**

<b>Sl no</b>	<b>Name</b>	<b>Designated as</b>
1	Prof. Rakesh Kapoor, HOD, Urology	Chairman (HRF)
2	Dr. A. K. Bhatt, Medical Superintendent	Nodal Officer (HRF)
3	S. K. Asthana	Sr. Accounts Officer (HRF)
4	Vijay Kumar Jaiswal	Store Purchase Officer (HRF)
5	Junaid Ahmed	Asstt Store Purchase Officer (Stores)
6	Manoj Saxena	Asstt Administrative Officer (HRF)
7	K. K. Srivastava	Asstt Technical Officer (Pharmacy)
8	Umesh Dutt Sharma	Jr. Programmer cum Data Processor (HRF)
9	N. P. Tiwari	Chief Pharmacist (HRF)
10	Sanjay Bhatnagar	Jr. Accounts Officer (HRF)
11	Ashok Yadav	Office Superintendent (HRF)
12	Arvind Agarwal	Jr. Store Purchase Officer (HRF)
13	P. C. Khanna	Jr. Store Purchase Officer (HRF)
14	R. K. Srivastava	Assistant Accountant (HRF)
15	R. K. Sharma	Upper Division Assistant (HRF)
16	Rajendra Yadav	Upper Division Assistant (HRF)
17	Walter Masih	SK cum Purchase Assistant (HRF)
<b>General Hospital</b>		
18	C. L. Verma	Upper Division Assistant
19	Rajesh Tripathi	Pharmacist
<b>HRF Peripheral Unit Store</b>		
20	R. A. Yadav	I/c Main OPD Pharmacy
21	R. C. Bajpai	Assistant Accountant
22	Dinesh Chandra	Pharmacist
23	R. K. Uppadhyah - Ward Master	I/c Emergency HRF Unit Store
24	Lal Bahadur Yadav - Ward Master	I/c Dialysis HRF Unit Store
25	Waseem Ahmed - Ward Master	I/c Radiology HRF Unit Store
26	Vinod Kumar Singh - Ward Master	I/c 9th Floor HRF Unit Store
27	H.N. Ram - Ward Master	I/c Cath Lab HRF Unit Store
28	Shiv Shankar Yadav - ward Master	I/c Combined Ward HRF Unit Store at 3rd floor
29	Ashok Nair - Ward Master	I/c OT HRF Unit Store
30	S. K. Sinha - Ward Master	I/c Neurosurgery OT-ICU HRF Unit Store & 6th Floor HRF Unit Store

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