



Supply Chain
Management

Subject: Supply Chain Management Policy

Effective: 01/01/2007

Revised: 01/08/2007

Supercedes: none

Policy No.:

Page: 1 of 5

Approved by: Henry Ford Health System Executive Administration

1.0 Philosophy/Purpose:

1.1 This Policy Statement has been created to:

- 1.1.1 Establish requirements for Vendors doing business at HFHS locations.
- 1.1.2 Provide guidelines for staff when selecting Vendors or seeking goods and services.
- 1.1.3 Provide guidelines for staff on methods for ordering goods and services.
- 1.1.4 Ensure staff and Vendors are knowledgeable about proper invoicing, purchase ordering process, and payment standards.

2.0 Scope:

- 2.1 This policy applies to all employees at all business units and Corporate Offices of Henry Ford Health System, including Henry Ford Hospital, Henry Ford Wyandotte Hospital, Henry Ford Bi-County Hospital, the Henry Ford Medical Group, Henry Ford West Bloomfield Hospital, Behavioral Health Services and Community Care Services.
- 2.2 This policy directly applies to vendors that provide or wish to provide services, equipment, or supplies for HFHS.

3.0 Responsibility:

- 3.1 Supply Chain Management as well as staff throughout Henry Ford Health System who deal with vendors and their representatives will be held accountable to these standards of conduct.
- 3.2 It is the responsibility of Henry Ford Health System department managers and clinicians to adhere to HFHS policies when committing the System's financial resources for the purchase of goods, services, and equipment.
- 3.3 HFHS leaders are responsible for communicating these policies to all of their employees and ensuring that they are also adhering to these policies.
- 3.4 Vendors are responsible for understanding and adhering to this policy along with the Vendor Policies and Procedures and other policies directly related to purchasing practices.

4.0 Policy:

- 4.1 It is Henry Ford Health System's policy to maintain and practice the highest possible standards of business ethics, professional courtesy, and competence in all of our dealings. At all times, applicable laws and regulations must be observed.
- 4.2 It is the Policy of Henry Ford Health System that Supply Chain Management is the primary contact between Henry Ford Health System and its vendors
- 4.3 This policy was developed to help set up safety nets and monitor the products and services that are entering HFHS that impact patient care quality and safety.
- 4.4 The intent of this policy is to provide a clear and understandable set of rules governing the commitment of Henry Ford Health System's resources that will adequately safeguard our assets, patients, and employees, and manage cost in a responsible manner.

5.0 Procedure/Requirements:

- 5.1 Request for Goods
 - 5.1.1 Online Requisitioning of Goods



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Page: 2 of 5

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- 5.1.1.1 Requests for all goods, services and equipment (unless otherwise specified) must be requisitioned through the Online Requisitioning Order Process through PeopleSoft.
- 5.1.1.2 HFHS staff with requisitioning authority for their respective business units must attend a formal PeopleSoft training session on its use before being assigned a user id and password.
- 5.1.1.3 It is the responsibility of the Supply Chain Management department, to receive, review, and check authorization of all requisitions submitted via the Online ordering process.
- 5.1.1.4 Upon verifying the proper approvals, Supply Chain Management will issue a duly authorized Henry Ford Health System Purchase Order for the required goods, services and equipment.

- 5.1.2 Non-online Requisitioning of Goods
 - 5.1.2.1 Office supplies are requisitioned through an approved vendor with built-in security and approval level authority.
 - 5.1.2.2 Capital purchases are handled via a workflow manual requisitioning process.
 - 5.1.2.3 Check with a member of the Supply Chain Management department to verify other approved methods of purchasing goods, services and equipment to prevent possible disciplinary action for unauthorized purchases.

- 5.1.3 Operating Room
 - 5.1.3.1 Operating Room Services requisitions will be handled through the Materials Management area within OR Services per established OR Services Policy.

- 5.1.4 Emergency Orders
 - 5.1.4.1 Requesters (customers) are expected to follow the step-by step procedures provided in the Emergency Procurement Policy to ensure product and/or services are delivered in a timely manner.

- 5.2 Vendor Purchase Order Guidelines
 - 5.2.1 Vendors must always obtain a valid Purchase Order before supplying any products or services to Henry Ford Health System.
 - 5.2.2 Invoices received without a valid HFHS Purchase Order Number will be returned to the vendor and **not paid by HFHS**.
 - 5.2.3 Vendors should never accept requests to add additional products and/or services to an existing valid HFHS Purchase Order without approval first by a Supply Chain Management (Purchasing) staff person.
 - 5.2.4 Vendors should never use an expired Purchase Order number on an invoice. These will **not** be paid by HFHS.
 - 5.2.5 Any anticipated change to a Purchase Order (price, quantity, etc.) must have prior written authorization by a Supply Chain Management (Purchasing) staff person.



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Page: 3 of 5

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- 5.2.6 Vendors should never send a duplicate invoice referencing the same Purchase Order number unless stamped duplicate.
- 5.2.7 Blanket purchase orders require referencing the same Purchase Order for ordering but are date and/or amount specific.
- 5.2.8 Items/services appearing on an invoice that do not match the original issued Purchase Order will not be paid and the entire invoice will be rejected for payment.

5.3 Vendor Payment Guidelines

- 5.3.1 It is the policy of HFHS Finance Division (Accounts Payable) to pay vendors by specific invoice.
- 5.3.2 HFHS does not make payment "on account" or credits on account.
 - 5.3.2.1 Cash received and credits due should not be applied to an outstanding balance or applied to the oldest invoice.
 - 5.3.2.2 Vendors do not have the authority to apply credits to open invoices or other outstanding or future charges.
- 5.3.3 Where appropriate, payments from statements will be for current charges only.
- 5.3.4 HFHS will not pay a 'running balance' or balance forward.
- 5.3.5 HFHS pays invoices in full and will not alter an invoice net amount, with the exception of tax-exempt status.
- 5.3.6 In the event an invoice is received that is incorrect for any reason, a corrected invoice must be received before payment is made.
- 5.3.7 Vendor cash application should reflect the aforementioned.
- 5.3.8 The vendor must inform the Accounts Payable department of any duplicate payments, overpayments, or unclaimed credits.

5.4 Request for Introduction of New Products

- 5.4.1 New products that are requested from HFHS will adhere to the New Product Introduction Policy.
- 5.4.2 Vendors will be expected to adhere to the policy and will be required to demonstrate their products and train HFHS staff in their use.
- 5.4.3 HFHS Staff are required to adhere to the New Product Policy.
- 5.4.4 Product samples, excluding pharmaceuticals, are considered new products and should not be brought into any HFHS facility without the knowledge of Supply Chain Management or Pharmacy.
- 5.4.5 Pharmacy samples must follow the HFH Sample Medication Policy 450.80.
- 5.4.6 All new or sample products need to be tracked for recall purposes in accordance with the Product Recall Policy.

6.0 Compliance Monitors:

- 6.1.1 All staff and Vendors are responsible for complying with this policy.
- 6.1.2 Progressive disciplinary actions for vendor violations are attached.
- 6.1.3 Vendors or staff in violation of this policy are to be immediately reported on the Vendor Representative Complaint form through the use of the Supply Chain Management portal through HENRY.



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Policy No.:

Page: 4 of 5

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- 6.1.4 Staff found not to be in compliance with this policy will be reported to their supervisor for action. Depending on the severity of the situation, discipline up to and including discharge may be warranted.

7.0 Definitions:

- 7.1.1 *Vendor* is any representative of a manufacturer or company who visits for the purpose of soliciting, marketing, or distributing products or information regarding the use of medications, products, equipment and/or services.

- 7.1.2 *Supply Chain Management* is Henry Ford Hospital's purchasing department.

10.0 References:

- 10.1 Please refer to the following additional Supply Chain Management policies:

Business Associate Agreement Policy
Consignment/Loan Policy
Emergency Procurement Policy
New Product Introduction Policy
Product Recall (RASMAS) Policy
Vendor Policy and Procedures



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Page: 5 of 5

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a. Minor infractions

- i. Visiting Henry Ford Health System personnel who have no expressed interest in their products, services, or capital equipment or distribution of unsolicited material.
- ii. Accessing HFHS facilities to conduct business without a scheduled appointment or prior authorization from the respective department or Supply Chain Management.
- iii. Directly supplying food or promotional items for employees at HF locations.
- iv. Failure to obtain a Purchase Order number before shipping products, services, and/or capital equipment into Henry Ford Health System, this includes items for trial and evaluation purposes.
- v. Failure to attend the Vendor Representative Certification & Orientation training class.
- vi. Inadequate education training on product use or procedures.
- vii. Communication lines not maintained.
- viii. Vendor representatives non-responsive to hospital needs.
- ix. Failure to honor price(s) quoted.
- x. Failure to provide resources and necessary documentation to maintain account in good standing.
- xi. Failure to provide invoices, copies of invoices, or Proof of Delivery, upon request.
- xii. Unauthorized use of credits to offset open invoices.

b. Major infractions

- i. Failure to go through Supply Chain Management i.e. back-door selling tactics.
- ii. Failure to provide adequate safeguarding of protected health information.
- iii. Offering unethical inducements to Henry Ford Health System personnel.
- iv. Failure to notify Supply Chain Management of product recalls.
- v. Harassment of Henry Ford Health System personnel, i.e. inappropriate language and/or physical actions.
- vi. Failure to adhere to HFHS "Supply Chain Management & Vendor Visitation Policies".
- vii. Failure to respond to major or minor disciplinary actions.
- viii. Failure to comply with the Health Insurance Portability & Accountability Act (HIPAA) which prohibits the use or disclosure of protected health information of its patients without a valid authorization, or unless that use or disclosure is otherwise permissible.

Disciplinary Actions

Supply Chain Management will review the performance of all vendors and initiate the following disciplinary actions if applicable:

Minor Infractions

- a. For first occurrence, a documented oral consultation of vendor representative by Vendor Compliance & Management Coordinators.
- b. For second occurrence, call to vendor representative's immediate manager from Director of Vendor Compliance & Management.
- c. For third occurrence, letter to vendor district/regional manager from Vice President of Supply Chain Management to arrange a meeting to discuss the issues.

Major Infractions

- a. For first occurrence, a documented oral consultation of vendor representative by Vice President of Supply Chain Management, and a letter to vendor district / regional manager from Vice President of Supply Chain Management, to arrange a meeting to discuss the issues.
- b. For second occurrence, letter to president of vendor company from COO and/or CEO of Henry Ford Health System, detailing the issues and requesting immediate resolution.
- c. Termination of relationship if the issues remain unsolved.