



CQO:
The Health Care
Supply Chain

Percentage of Purchase Order Lines with Expedited Shipping Costs



Purpose:

Monitor use and identify the source of expedited shipping orders.

Value:

Identify opportunities for improved inventory management and operational cost reduction, and avoid disruption in the buying process.

Equation:

To calculate the percent of Purchase Order (PO) lines with expedited shipping costs, first query your Enterprise Resource Planning (ERP) or Materials Management Information System (MMIS) to determine the total number of PO lines sent out to all distributors and suppliers, as well as, the number of PO lines with expedited items for the same month. Next, divide the expedited number by the total to work out the Key.

$$\text{Number of PO lines with expedited items} \div \text{Total number of PO lines sent out to all distributors and suppliers} = \text{Percentage of Purchase Order Lines with Expedited Shipping Costs}$$

Note: it is favorable to have a lower value for this Key. The lower the value the better.

Example:

According to Healthy Hospital's ERP system, they issued a total of 500 PO lines during the month of January. The system also indicated 10 POs had one line item that was expedited and incurred expedited shipping charges. The calculation would be:

- 500 PO lines sent out to all distributors and suppliers
- 10 PO lines with expedited items
- $10 \div 500 = 2\%$ of Purchase Order Lines with Expedited Shipping Costs



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Input Descriptions and Sources:

Input Name	Includes	Excludes
Total number of PO lines sent out to all distributors and suppliers	The total number of PO lines sent via EDI, Fax, phone or other method that were sent out by your organization this month to the various distributors and suppliers.	
Number of PO lines with expedited items	Out of the total number of PO lines submitted during the month, how many were shipped in an expedited manner?	

Points of Clarification:

- In order to perform this calculation, a facility must include expedited shipping costs as a separate line item in the PO.
- The basic analysis excludes capital equipment. However, a separate analysis of the percent of capital equipment purchase orders with expedited shipping may reveal additional savings opportunities.