

January 11, 2010

INVENTORY MANAGEMENT OF SELECTED NON-CONTROLLED DRUGS

1. PURPOSE: This Veterans Health Administration (VHA) Directive provides policy for managing inventory of selected non-controlled drugs that have been identified as high cost or high risk for diversion. *NOTE: This Directive is not applicable to the Consolidated Mail Outpatient Pharmacies (CMOPs), which have unique inventory management systems and policies, such as the requirement to conduct quarterly wall to wall inventories.*

2. BACKGROUND: The Office of the Inspector General issued report No. 08-01322-114, Audit of Veterans Health Administration's Management of Non-Controlled Drugs on June 23, 2009, with results of an audit conducted on the level of accountability for specific drugs identified as potentially high risk for diversion. The report included recommendations for improved inventory management, as well as establishing some standard triggers for concern (e.g., discrepancy rate).

3. POLICY: It is VHA policy that VHA facilities must utilize the Drug Accountability software, Prime Vendor reports, and other manual tools to monitor and track inventory of any specific drug identified as being at high risk for diversion.

4. ACTION

a. **Chief Consultant, Pharmacy Benefits Management (PBM) Services.** The Chief Consultant, Pharmacy Benefits Management Services, or designee, is responsible for:

(1) Identifying 10 non-controlled drugs that are high cost or high risk for diversion each year.

(2) Posting the list of 10 drugs, for use by the Veterans Integrated Service Network (VISN) Pharmacy Executive Committee (VPEC), on the PBM Services website at: <http://vaww.national.cmop.va.gov/pbm>. *NOTE: This is an internal website and is not available to the public.*

(3) Reviewing, on an annual basis, the list of 10 high cost or high risk drugs as well as the variance rate to determine needed updates or changes and posting such updates or changes as indicated above.

b. **Pharmacy Service Chiefs or Managers.** Pharmacy Service Chiefs or Managers are responsible for:

(1) Randomly selecting, on an annual basis, five drug line items from the Veterans Integrated Service Network (VISN) Pharmacy Executive Committee (VPEC) list (originating from the list

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of ten high-cost or high-risk drugs identified by the Chief Consultant, PBM Services) and monitoring accountability of these items on a quarterly basis, for that year.

(2) Using Drug Accountability software, Prime Vendor reports, annual wall-to-wall inventory results, or the Controlled Substances Software to track and monitor utilization of specific non-controlled drugs.

(3) Auditing procurement and dispensing records for each of the selected drug items at least quarterly.

(a) A manual count of each drug item selected must be completed and compared to the inventory level from the Drug Accountability Software or other tools decided by local pharmacy management. This count must include all sizes for a specific generic drug and strength.

(b) The variance between the actual and predicted amount on hand for the reporting period must be calculated. Variances greater than 5 percent require an in-depth review and analysis.

(c) The actual balance must be adjusted to ensure accurate inventory once the cause of the discrepancy has been resolved.

(4) Reporting the results of the inventory reviews to facility management through the quality assurance process on a quarterly basis.

(5) Providing a quarterly report to the VPEC indicating the results of the review and follow-up actions taken and submitting an annual summary review report to the VPEC.

5. REFERENCES: None.

6. RESPONSIBILITY: The Chief Consultant, Pharmacy Benefits Management Services (119) and the Chief Patient Care Services Officer (11) are responsible for the contents of this Directive. Questions may be referred to (202) 461-7326.

7. RESCISSIONS: None. This VHA Directive expires January 31, 2015.

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