



# Glossary

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**Activity-Based Costing:** A cost accounting system that accumulates costs based on activities performed, then uses cost drivers to allocate these costs to products or other bases, such as customers, markets or projects. It is an attempt to allocate overhead costs on a more realistic basis than direct labor or machine hours.

**Activity-Based Management:** The use of Activity-Based Costing information about cost pools and drivers, activity analysis, and business processes to identify business strategies; improve product design, manufacturing, and distribution; and remove waste from operations.

**Acute Care:** Primary Hospital Care. Also includes some independent care centers.

**Advanced Shipping Notices (ASN):** An 856 EDI Transaction Set in which the shipper advises the customer of a pending shipment. Also known as the ship notice manifest, the ASN allows the customer to identify short shipments before receipt and plan warehouse receiving more efficiently.

**American National Standards Institute (ANSI):** A non-governmental organization that manages the formation of voluntary national standards, such as those for EDI.

**ANSI Accredited Standards Committee X12 (ANSI ASC X12):** A committee responsible for writing generic EDI standards.

**Application Identifiers:** Numeric codes associated with UCC/EAN-128 symbology that allows scanning systems to uniquely interpret information such as product identification, dates, traceability, and shipping information.

**Automated Data Capture:** Electronic recording of information about a product as it moves and/or is consumed.

**Automated Dispensing:** Electronic recording of information about a product as it is dispensed.

**Best Practices:** Documented practices that have demonstrated measurable and superior results through a particular series of executed steps.

**Business Process Redesign:** The evaluation and recreation of an organization's business practices. (e.g., the way it pays its bills-A/P processes).

**Buying Group:** Groups that form a relationship to secure economies of scale when purchasing products/services.

**Category Management:** The management of product categories as strategic business units. The practice can empower a category manager with full responsibility for assortment decisions, inventory levels, and promotions. With this authority and responsibility, the category manager may be able to judge the consumer buying patterns, product sales and market trends of that category more accurately.

**Computer-Assisted Ordering:** The process of preparing an order through the use of computers that integrate information about product movement, outside factors that affect demand, actual inventory levels, product receipts and acceptable safety stock levels.

**Consumers:** The consumer in EHCR™ is everyone who pays a healthcare bill, even indirectly.

**Continuous Replenishment Processes:** A program in which distribution channel members change the traditional replenishment process from distributor-generated purchase orders, based on economic order quantities to the replenishment of products based on actual and forecasted product demand.

**Contract/Pricing Administration:** Mostly paper-based activities that support current contract and pricing systems.

**Cost-Plus:** A pricing method whereby the purchaser agrees to pay the supplier an amount determined by the cost incurred by the supplier to produce the goods or services, plus a stated percentage or fixed sum.

**Cross-Docking:** The practice of receiving product and shipping it to another location immediately, without placing inventory into warehouse storage locations.

**Customer/Product Data Synchronization:** Ensuring timely accurate, paperless information is available on customers and products.

**Cycle Counts:** An inventory accuracy audit technique whereby inventory is counted cyclically, rather than annually. A cycle inventory count is usually taken on a regular, defined basis (often more frequently for high-value or fast-moving items, and less frequently for low-value or slow-moving items). The key purpose of cycle counting is to identify items in error, thus triggering research, identification, and elimination of the cause of the errors.

**Cycle Times:** In materials management, the length of time from when material enters a production facility until it exits.

**Database Management System:** Software designed for organizing data and providing the mechanism for storing, maintaining, and retrieving that data on a physical medium (e.g., a database). A DBMS separates data from the application programs and people who use it and permits many different views of the data.

**Diagnostic Related Groups (DRGs):** Medicare's system of classifying illnesses and the average costs of treating them as the basis for the reimbursement of hospitals; Medicare bundles hospital services into 468 DRGs.

**Disease Management:** Involves an integrated process simultaneously managing quality, outcomes and costs associated with specific illnesses and diseases.

**Distribution Channel Rationalization:** Study of a distribution network to justify continuation or modification.

**Distribution Requirements Planning:** The function of determining the need to replenish inventory at branch warehouses. A time-phased order point approach is used whereby the planned orders at the branch warehouse level are "exploded" via MRP logic to become gross requirements on the supplying source.

**Distribution Resource Planning:** The extension of distribution requirements planning into the planning of key resources contained in a distribution system: warehouse space, work force, money, trucks, freight cars, etc.

**EDIFACT: (UN/EDIFACT)** Standards body responsible for the development and maintenance of EDI messages outside of North America.

**Efficient Consumer Response:** A strategy in which the grocery retailer, distributor, and supplier trading partners study methods to eliminate excess costs from the grocery supply chain and serve consumers better.

**Electronic Data Interchange:** The computer-to-computer transmission of business information between trading partners. The information should be organized in standard file formats or transaction sets. By eliminating the clerical, mailing, and other costs associated with paper-based information, EDI reduces costs, time delays, and errors.

**Entity:** A member of the supply chain, for example, a manufacturer, distributor, or provider.

**European Article Numbering System:** A standardized format for a 14-digit data structure identification of products and shipping containers used primarily outside the U.S. and Canada. EAN bar codes are compatible with the UPCs of the U.S. and Canada.

**Evaluated Receipts Settlement:** An EDI suite of transactions which enables the user to replace invoices by triggering payment based upon receipt of products in unitized load delivery.

**Expenditures:** An expense an organization incurs in order to purchase supplies and/or

services.

**Fee-For-Service:** The patient pays for service as care is provided. (Also called indemnity plan). This plan is juxtaposed with managed care plans that charge members to belong and negotiate lower fees in return.

**Finished Goods:** Products sold as completed items or repair parts: items subject to a customer order or sales forecast.

**Flow-Through Distribution:** Activities that allow acceleration of product through a supply chain to point of consumption.

**Green Packaging:** Environmentally-friendly packaging.

**Health Maintenance Organization (HMO):** Provides healthcare services to members who prepay a premium that generally covers a specified range of both inpatient and ambulatory care.

**Healthcare Distributor:** For EHCR™, middleman in production-to-consumption cycle.

**Healthcare Manufacturer:** For EHCR™, manufacturer of medical/surgical supplies, diagnostics and non-retail ethical pharmaceuticals.

**Healthcare Provider:** For EHCR™, providers and provider alliances - provides product to point of consumption.

**Health Industry Number:** A global identifier that uniquely enumerates the locations of services and activities in the healthcare industry. The HIN enumerates individual prescribers by location, provider establishments, including internal locations where services are performed, and all other entities in the health industry supply chain.

**Home Care:** Care provided for patients in their homes by caregivers, including the distribution of product, nursing care, and training.

**ICD-10:** A clinical diagnosis standard.

**Integrated Delivery Network:** Same as Integrated Delivery System except components are generally joined through contracts rather than common ownership.

**Integrated Delivery System:** A healthcare delivery system that has combined effectively, or integrated into one entity or multiple affiliated entities, at least two of the following functions: hospital services, physical services, financing/insurance services.

**Inventory Turns:** The number of times an inventory cycles, or turns over, during a year.

**Just-In-Time:** A philosophy of manufacturing based on planned elimination of all waste and continuous improvement of productivity. It encompasses the successful

**execution of all manufacturing activities required to produce a final product, from design engineering to delivery and includes all stages of conversion from raw material onward. The primary elements of Just-in-Time are to have only the required inventory when needed; to improve quality to zero defects; to reduce setup times, queue lengths, and lot sizes; and to accomplish these things at a minimum cost.**

**Long Term Care:** Care provided for patients over an extended period of time in a dedicated facility (e.g., nursing homes).

**Managed Care:** A system in which providers agree to give care to members of a health plan for an agreed upon discounted or capitated fee under certain utilization management rules.

**Management Information Systems:** A manual or computerized system that anticipates the wide use of data for management planning and control purposes. Accordingly, the data are organized in a database and are readily available to a variety of management functions.

**Mass Customization:** The ability to mass-produce customized products at a low cost and high volume.

**Materials Safety Data Sheets:** Information sheet required to be physically present at every appearance of a product's name.

**Medical/Surgical Devices:** Medical and surgical products. This category specifically excludes pharmaceuticals, diagnostic equipment and capital equipment.

**National Drug Code:** A 10 digit numeric structure administered by the Food and Drug Administration for the regulation of pharmaceutical trade.

**Net Acquisition Cost:** A net cost to the buyer of the product from the seller based upon specific terms agreed upon between the two parties.

**Optical Character Recognition:** A mechanized method of collecting data involving the reading of hand-printed material or special character fonts. If handwritten, the information must adhere to predefined rules of size, format, and locations on the form.

**Organizational Change/Change Management/Organizational Development:** Process of improving the way an organization functions and is managed, particularly in response to change. It operates through planned interventions by a change agent in the organization's processes and is managed by senior executives in accordance with the organization's overall goals.

**Outsourcing:** The process of having suppliers provide goods and services previously provided internally. Outsourcing involves substitution-the replacement of internal capacity and production by that of the supplier.

**Physician Care:** Care provided for patients in a physician's office.

**Point-of-use Data Capture:** See automated data capture.

**Purchase Order:** The purchaser's authorization used to formalize a purchase transaction with a supplier. It contains a variety of information to explain what the buyer needs.

**Purchase Order to Payment:** Time elapsed between placement of an order to receipt of compensation.

**Quick Response:** A strategy widely adopted by general merchandise and soft-lines retailers and manufacturers to reduce retail out-of-stocks, forced markdowns, and operating expenses. These goals are accomplished through shipping accuracy and reduced response time.

**Radio Frequency Identification:** Technology used to transmit product location information.

**Sales-Activated Settlement:** The practice of delaying contract settlement between the manufacturer and distributor/provider until the transaction reaches completion at the consumer level. At that point, membership eligibility and other similar factors can be determined with certainty.

**Solution Sets:** Combinations of best practices and enablers that, when implemented together, bring about larger benefits than when implemented individually.

**Staff Model HMOs:** Type of HMO where subscribers are typically treated at one central facility or a small group of facilities run by the HMO; medical care is given by physicians who are employed on a full-time basis and paid a salary.

**Stock Keeping Unit:** A level of aggregation that allows an organization to make product-based decisions.

**Supply Chain/Healthcare Supply Chain:** The processes from initial raw materials to the ultimate consumption of the finished product linking across supplier-user companies. These processes are the functions within and outside a company that enable the value chain to make products and provide services to the end consumer. In EHCR™, the scope was limited to the supply chain from the end of the manufacturer's production line to the end consumer.

**Surgi-Centers:** Surgical centers established as remote from hospitals.

**Third-Party Logistics Companies:** A company that manages all or part of another company's product delivery operations.

**Total Quality Management:** A term coined to describe Japanese-style management approaches to quality improvement, especially in developing long term success through customer satisfaction.

**Two-Dimensional Bar Codes:** Bar code symbologies that are non-linear, capable of carrying additional information.

**Universal Product Code:** Common identification number for use on traded goods administered by the Uniform Code Council.

**Universal Product Number™:** Department of Defense name for standards-based bar coding of healthcare products at all levels of packaging using either UCC/EAN or HIBCC standards.

**Value Chain/Value Chain Management:** The functions within a company that add value to the products or services that the organization sells to customers and for which it receives payment.

**Value-Added Network:** An operation (plant or distributor) that contributes to the usefulness and value of a product, as seen by the customer.

**Vendor Managed Inventory:** Inventory warehouse replenishment is managed by the supplier.

**Vertical Integration:** The degree to which a firm has decided to directly produce multiple value-adding stages from raw material to the sale of the product to the ultimate consumer. The more steps in sequence, the greater the vertical integration.

**Warehouse Control Systems:** Electronics-based systems used to configure and operate a warehouse.