

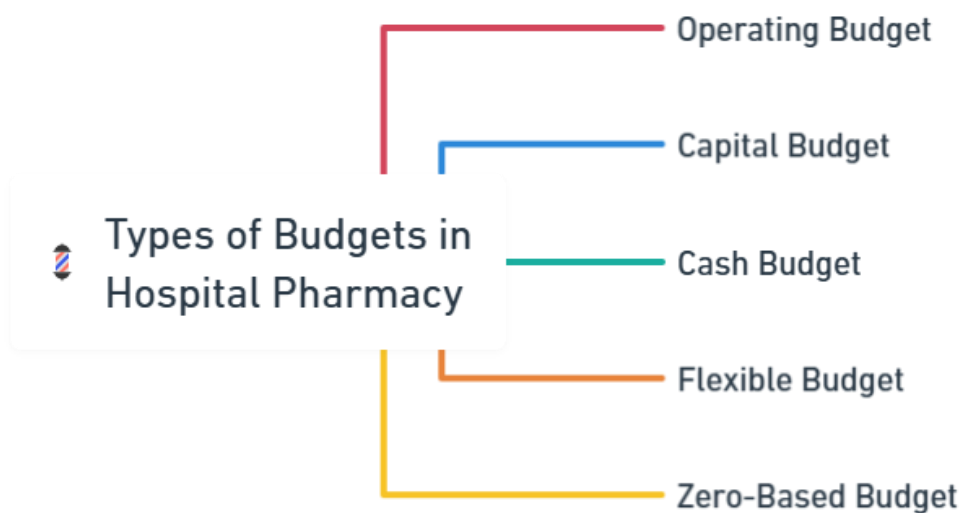
Hospital Pharmacy

The Budget

Introduction to Hospital Pharmacy Budgeting

- Budgeting in a hospital pharmacy is the process of forecasting, planning, allocating, and controlling financial resources to ensure the efficient operation of pharmacy services in a hospital setting.
- A pharmacy budget is essential to:**
 - Ensure uninterrupted drug supply
 - Maintain quality pharmaceutical care
 - Control hospital expenditure
 - Enable cost-effective therapy
 - Ensure compliance with regulatory and institutional guidelines

Types of Budgets in Hospital Pharmacy



Type of Budget	Description
Operating Budget	Daily/annual pharmacy expenses like salaries, drug purchases, utilities, etc.
Capital Budget	Long-term investments such as automated dispensing machines, cold-chain storage systems, furniture, etc.
Cash Budget	Prediction of cash inflow and outflow to ensure liquidity for pharmacy operations.
Flexible Budget	Adjusts to changes in hospital workload, seasonal variations, pandemics, etc.
Zero-Based Budget	Every item of expenditure must be justified for each new period (not based on past budgets).

Budget Preparation in Hospital Pharmacy

- Budget preparation is a systematic and team-based process, usually prepared annually, under the supervision of the chief pharmacist/pharmacy manager, and approved by hospital administration or finance department.

Steps in Budget Preparation

1. Review of Previous Year's Budget

- Analyze past expenditures
- Identify overspending/underspending
- Evaluate inventory movement reports, expiry records, and patient loads

2. Estimation of Workload

- Number of inpatients/outpatients expected
- OPD/IPD drug utilization trends
- Expansion plans of hospital departments

3. Forecasting Requirements

- Estimate the quantity and cost of medicines, disposables, and surgicals
- Include new drugs, updated guidelines, or shifts in prescribing patterns
- Predict costs of storage (cold chain, controlled substances, etc.)

4. Human Resource Planning

- Salaries, incentives, recruitment needs
- Training and development expenses
- Technicians, clinical pharmacists, interns

5. Capital Equipment and Infrastructure

- Purchase or upgrade of storage racks, refrigerators, computers
- Software license renewals (e.g., drug inventory or EMR integration tools)

6. Regulatory and Quality Requirements

- NABH accreditation requirements
- Pharmacovigilance costs
- Drug testing kits and documentation software

7. Contingency Planning

- Emergency stock budget (disaster, outbreak, drug recalls)

8. Drafting the Budget Proposal

- Itemized list under categories: drugs, equipment, salaries, etc.
- Departmental review and suggestions
- Incorporate price inflation, tax changes

9. Submission and Approval

- Submitted to hospital finance department/management
- Reviewed, revised, and approved before implementation

Budget Implementation in Hospital Pharmacy

Once the budget is approved, implementation involves **spending and resource utilization** according to the plan, while continuously monitoring progress.

Key Components of Implementation:

A. Resource Allocation

- Funds are released monthly or quarterly
- Procurement based on approved vendors and quotations
- Drugs purchased according to essential drug list and formulary

B. Inventory Management

- Use of ABC-VED and FIFO/FEFO methods for stocking
- Monitoring expiry, wastage, and pilferage
- Implement stock audits and real-time inventory tracking

C. Expenditure Monitoring

- Maintain ledger of all purchases and disbursements
- Cross-check actual usage with projected usage
- Regular reports sent to finance and hospital administration

D. Cost Control Mechanisms

- Substitution of costly brands with generics
- Bulk purchases and rate contracts
- Limiting over-prescribing through formulary management
- Pharmacoeconomic evaluation of high-cost drugs

E. Mid-Term Reviews and Adjustments

- Quarterly review meetings
- Adjust for changes like:

- Unexpected increase in patient load
- New therapy protocols
- Drug shortages or price hikes

F. Reporting and Accountability

- Final audit at year-end
- Comparison of budgeted vs actual expenditure
- Reasons for deviations and suggestions for future planning
- Used for Continuous Quality Improvement (CQI)

Role of Hospital Pharmacist in Budget Management

- Forecast drug needs based on prescription trends
- Monitor drug use and reduce wastage
- Ensure cost-effective procurement
- Provide input on formulary and policy-making
- Participate in Pharmacy and Therapeutics (P&T) Committee
- Maintain transparency and documentation for audits
- Educate staff on budget adherence and rational drug use



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