


Cut Your Food Service Costs Now!
Save thousands with the top 5 cost control guidelines
Becky Dorner, RD, LD



Cut Your Food & Labor Costs Now!

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Uncontrolled Food & Labor Costs

Are among the most frequently voiced concerns of Administrators

High Costs Are Often Blamed on the:

- Menu
- Supplier
- Consultant
- Manager



LTC facilities with 100 Residents serve 109,500 meals/year


- Save 10 cents/meal & save \$10,950/year!



What could you do with \$11,000?


Focus on Customer Satisfaction

- Use customer feedback to guide your operation



The main focus should be quality & resident satisfaction!


Top 5 Guidelines for Cost Control



Guideline Number 1

Knowledge is Power:

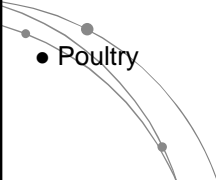

- Know more about how to control food service costs than anyone else in your facility



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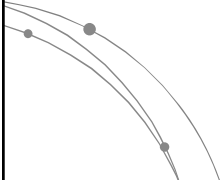

Beef, Pork, Poultry Prices

- Beef
- Pork
- Poultry



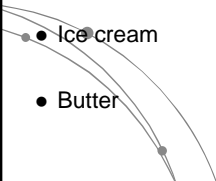

Egg Prices

- Egg prices



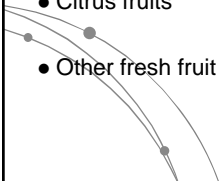

Dairy Prices

- Milk prices
- Cheese
- Ice cream
- Butter



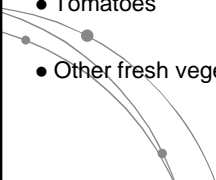

Fresh Produce

- Bananas
- Apples
- Citrus fruits
- Other fresh fruit



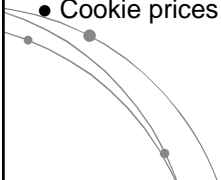

Fresh Produce Prices

- Lettuce
- Potatoes
- Tomatoes
- Other fresh vegetables



Cereal & Bakery Prices


- Cereal & bakery prices
- White bread prices
- Cookie prices



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Sugar & Sweets Prices

- Carbonated drinks
- Coffee prices
- Non-frozen noncarbonated juices & drinks

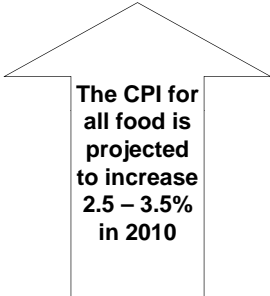


Overview chart of past food prices and future food price forecasts

<http://www.ers.usda.gov/Briefing/CPIFoodAndExpenditures/Data/cpiforecasts.htm>

2010 Projections

- Recovering global economies
- Increased commodity and energy costs
- Stronger domestic and global food demand




The CPI for all food is projected to increase 2.5 – 3.5% in 2010

Know Market Trends & Pricing

- Know prices of frequently purchased items (bread, milk, produce) and buy accordingly
- Request current pricing information or notification of changes from your vendors:
 - Staples, groceries, chemicals, bread & dairy-- monthly
 - Meats and produce---weekly

Guideline Number 2



Control Your Budget:

- Be involved in budget development, and implement systems to follow and control the budget

Know Your Dietary Expenses

- The Current Budget & Goals for Year
- Current Food, Labor, Supply Costs
- Cost Per Meal Served (for raw food)
- Total Cost Per Meal Served (including labor and supplies)
- Miscellaneous Expenses Charged to your department
- Current Revenue from Meals Sold, Catering, Vending, Meals on Wheels

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Food Budget

Know your:

- Total meals served
- The type of menu (select/non-select, therapeutic diets) and they type of meal service you provide (labor involved)
- Use benchmarking (network with other similar facilities)
- Use last year's figures & this year's forecast on market pricing trends

Labor Budget

Know about:

- Wage increases planned for the year
- Any changes in the union contracts (if applicable)
- Your area's Economic conditions—especially unemployment rates
- And you may need to investigate your competition for employees (restaurants, other facilities) & their rates of pay

Know Where Money is Going

Be an Accounting Detective

- Nursing items?
- Housekeeping items?
- Are activities included in food cost or is it a special line item? Special parties? (Barry's parties)
- Track these items separately from food costs



Tracking Systems

1. Your Residents' Needs:
 - Special diets: Can cost up to 25% more
 - Type of menu/food/service: Select vs. non-select
2. Wasted Trays:
 - D/C, dialysis, therapy



Tracking Systems

3. Employee/Visitor Meals: Free?!

- Cost of food, labor, supplies:
\$1.75 food & supplies
+ \$2.00 labor
= \$3.75



Tracking Systems

4. Test Trays:
 - CCMH daily test trays (they'd "always done it this way")
 - Use results to make actual improvements
 - Cut back to one test tray/week and save \$1173/year




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Tracking Systems

5. Nourishment Costs:


- Do you have a set formulary?
Is it Cost effective?
- Were supplements chosen by the residents?
- Are they consumed or dumped?
- Is there a more effective intervention?



Tracking Systems

6. Marketing Costs (Free?!)


- Beverages & food for visitors
- Open houses
- Holiday parties, etc.



Tracking Systems

7. Special Functions:
(Mrs Kay's special luncheons for doctors)


- Track & charge at least on paper for board meetings, family parties, special events



Tracking Systems

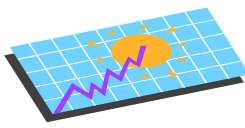
8. Coffee Service: Free? Limit amount?

- Packets walk off...
- Use common sense in making decisions (Larry's coffee budget)
- 200 cups of coffee costs about \$6.00 or 3 cents a cup—
Is it worth the Good will?



Distribution of Dollars


Labor/Benefits	50-60%
Food	30-40%
Supplies	5%
Capitol Expenditures	



Guideline Number 3

Control Labor Costs


- Focus on staff, retention, productivity, controlling OT, and efficiencies such as computerization



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Factors Affecting Labor Costs

1. Facility size, number of meals, DRs (Dayton)
2. Kitchen & facility layout
3. Type of meal service/Menu/Diets
4. Convenience vs. scratch
5. Delivery systems (St Eds)



Factors Affecting Labor Costs

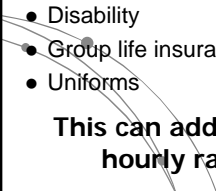
6. Cleaning responsibilities
7. Revenue generating programs
8. Data collection
9. Skill level/Longevity of staff
10. Unemployment rate/Union



Permanent Costs (FT Staff)

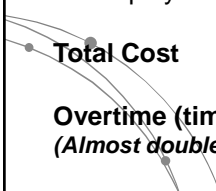
- Taxes (federal, state, local)
- Social security
- Worker's comp.
- Health insurance
- Disability
- Group life insurance
- Uniforms
- Unemployment
- Vacation days
- Sick leave
- Employee meals
- Employee training expenses
- Breaks

This can add 20-30% or more to the hourly rate you pay someone



Real Cost of Labor

1. Hourly rate	\$ 6.50
2. Prospective increase (2-3%)	\$ 0.20
3. Benefits/taxes/SS (20-25%)	\$ 1.30
4. Employee turnover (20-25%)	\$ 1.30
Total Cost	\$ 9.30
Overtime (time & a half)	\$12.55
<i>(Almost double the \$6.50 we started with)</i>	



Measure Productivity

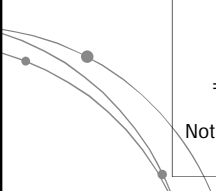
Meals/Labor Hour

$$\frac{\text{Total Meals Served/Day}}{\text{Labor Hours/Day}}$$

$$\frac{300}{50}$$

= 6 meals/hour

Not including DM, RD/DTR



Measure Productivity

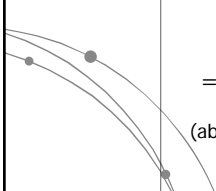
Labor Hours/Meal

$$\frac{\text{Labor Hours/Day}}{\text{Total Meals Served/Day}}$$

$$\frac{50}{300}$$

= 0.17 hrs/meal

(about 10-12 min/meal)



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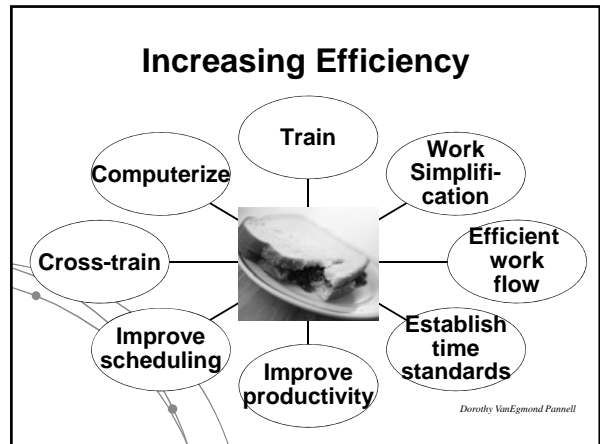
Measure Labor Cost/Meal

Labor Cost/Meal Served

Labor Cost/Day
Meals Served/Day


\$465.00
300 = \$1.55/meal

+25% Benefits=\$1.94/meal




Obtain & Keep Good People

- Recruit good people: Incentives for referrals, length of employment
- Reduce absenteeism: Incentives for good attendance, be realistic, make work fun!
- Keep good people:
 - Set reasonable goals & incentives
 - Measure & share results
 - Celebrate successes



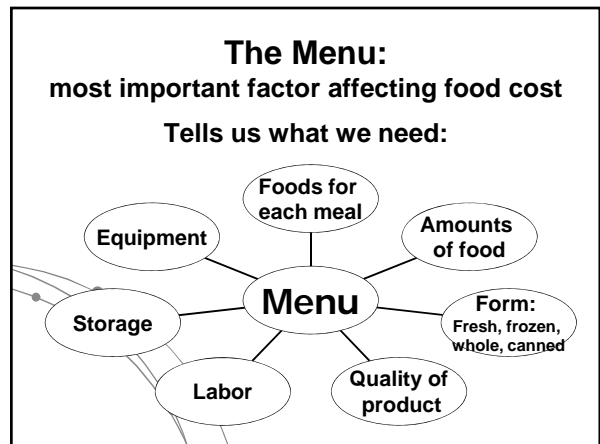
Guideline Number 4



- Control Food Costs
- Learn how to control all the important variables that affect food costs!

Food Budget Di\$tribution

*Meat/Protein (Entrée)	32-38%
*Milk/Dairy	9-10%
Bread/Bakery	3- 7%
Staples	28%
Coffee, Tea, Hot Bev.	2%
*Produce	13-22%
Ice Cream	1-2%
*Nourishment/Supplement	2%
*Must control waste/portions (56-72%)	



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Purchasing

Over-purchasing

- Ties up your money for no benefit
- Food can deteriorate
- There is a risk of theft
- It takes money to finance this food
- Storage can be an issue

Under-purchasing

- May require frequent trips to store
- Where you may pay more for the product
- It costs you labor time, and you're
- Not always getting a similar product

Primary Vendor Method

- Purchase 80-85% of total
- Price breaks on volume
- Special services
- Saves time



Group Purchasing Method

- Organized system that allows you to obtain lower prices through increased volume
- Formal bidding is done by the GPO
- Other benefits (Menus, services)
- Information from: State Associations, Hospital Associations (Tidewater, Premier, Innovitix, Novations)

Theft

- Studies indicate that 1 of every 3 employees will steal from you
- Food is second most popular target for employee theft



Overproduction: The Math

- 100 bed facility 10 beds empty
- Prepare recipe for 100 (unadjusted)
 - Leftover= 10
 - \$1.33/meal x 10= \$13.30
 - x 3 meals/day= \$39.90
 - x 365 days/year= \$14,600.00

- If you add in wasted labor...



Production Sheets

- Can be simple
- They should include:
 - quantity prepared
 - yield
 - leftovers
- Use them to adjust production for the next time the menu comes up on the cycle



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Portion Control

Incorrect portions can add up fast!

- Staff doesn't weigh meat portions
 - Menu calls for 3 oz roast beef
 - Staff gives 4 oz
- If roast beef is on the menu once/week
 - Over a year's time, they've given an extra 325# of meat (100 bed facility)



Supplements/ Nourishments

- Costly to waste
- Other interventions such as enhanced foods may be more effective
- Evaluate for acceptance

33% of Rs on supplements at \$0.36/supplement--wasting 50% = \$4200.00/year (+continued UWL)



Receiving

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Done by a key employee 2. Specify delivery time 3. Check every item against the invoice 4. Don't allow substitutions unless agreed upon 5. Weigh meats upon receiving | <ol style="list-style-type: none"> 6. Do not allow delivery people to stock items 7. Review order for accuracy 8. Credits received before delivery person leaves 9. Keep record of all deliveries 10. Put foods away promptly |
|--|--|

Yields

- Purchase price per unit is not the determining factor--
- The determining factor is how many edible portions are produced & served
- A bargain may not be such a bargain after all if yields are much less than anticipated



Calculating Food Costs

Per Patient Day
Raw Food Cost
 Total Patient Days

\$12,750 Per Month
 3000 Pt Days
 = \$4.25 PPD



Purchases ≠ Actual Food Cost

For a more accurate picture of cost of food actually used, subtract inventory out

Beginning Inventory
 + Purchases
 = **Cost of Food Available**

 - Ending Inventory
 = **Cost of Food Used**

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Inventory Controls

A Good Inventory System is Vital!

- It is best to do a combination of Physical Inventory and Perpetual Inventory
 - Running Balance
 - Greater Control
- Food Inventory Levels
 - 25-30% of Budget
 - 40-45% of Budget for >100 Bed



Revenue Generation

- Catering
- Bakery
- Vending
- Meals on Wheels
- Mom's Night Off
- Employee Meals
- Visitor Meals
- RD Counseling



Guideline Number 5



Use Resources Wisely:

- Food, labor & supplies

Annual Savings Examples
\$43,899

- Test Trays \$ 1,173
- Overtime \$ 6,526
- 1 Order/delivery per week \$ 5,200
- Group purchasing \$ 6,000
- Portion adjusted recipes \$14,600
- Portion control \$10,400

You can manage your food costs and maintain quality

- There are many things you can do to control your costs and stretch your \$\$
- Follow the 5 top cost control guidelines & you'll find the savings you need
- Always remember, your main goal is safe, high quality food & customer satisfaction



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