

**Food for thought:** How foodservice challenges could impact health system strategies



# A perfect storm of economics, climate and politics is creating an uncertain future for the healthcare foodservices industry that in turn could impact health systems' larger strategies.

Due to inflationary pressure caused by supply chain disruption, diesel price increases, wage pressures, fertilizer shortages and geopolitical issues — to name a few — Vizient® expects food prices and therefore costs to continue their upward movement for the near term. For 2022, food-away-from-home prices are predicted to increase 6.5% to 7.5%.<sup>1</sup>

Exacerbating the unstable outlook for hospital foodservices is a worsening shortage of certain foods due to avian flu, the Russia-Ukraine war and crops affected by droughts. Post-pandemic workforce issues plaguing other industries are also hitting foodservices.

While many situations are unlikely to reach catastrophic levels, health systems are wise to continually monitor for worsening conditions that could require some disaster planning. More urgent, however, are the issues at play that will spark a domino effect of negative implications if not addressed. Avoiding these potentially harmful scenarios will require some strategic maneuvering. However, many systems have foodservices strategic planning on their back burner as it has long been considered a commodity. Recent trends in health system consolidation has exacerbated this approach. Ultimately, a lack of strategic planning in this area can undermine the value of foodservices on outcomes and leave organizations vulnerable to market volatility.

The present situation is one that healthcare providers need to view as larger than just the cost of a meal but rather a strategic imperative, is the perspective from leadership at Morrison Healthcare, a national food and nutrition services company exclusively serving the healthcare industry.<sup>2</sup>

The following is a deeper dive into each of the three major foodservice issues impacting hospitals: shortages, price and workforce. For some, the impact and consequences will be direct and greatest felt within the walls of the hospital — while others will be downstream affecting first the community, which will later impact the hospital. The Harvey balls used in Figures 1, 2 and 3 illustrate the level of impact on each strategy.

**Figure 1. The impact of food shortages on strategic planning and potential consequences if not addressed**

## Impact

### Inpatient planning (Impact 🟡)

- Costly off-contract purchase of products not available through GPO contracted vendors
- Restrictive diets will require more substitutions making inventory hard to manage
- Unnecessarily restricting diet is a further detriment to sourcing, and increases inventory and the difficulty managing it
- Patients limited to restrictive diets based on diagnosis instead of oral food intake

### Social determinants (Impact 🟠)

- Exacerbated food instability issues in existing food deserts
- Increase in chronic diseases (e.g., diabetes, obesity) due to difficulty obtaining nutritious foods in some communities

## Consequences

- Higher avoidable admissions/readmissions
- Longer length of stay/time to heal due to diet-related complications
- Higher infections rates, hospital-acquired pressure injuries
- Higher severity, more complex care needs
- Higher food prices due to scarcity

## How obesity affects the community's health and admissions

- 50% of U.S. population will be obese by 2030<sup>3</sup>
- Food insecurity translated to approximately \$52.9 billion in excess healthcare expenditures associated with food insecurity in 2016<sup>4</sup>
- Non-obese patients are 21% less likely to be admitted compared to obese patient<sup>5</sup>
- Readmission rate among obese population is 32%<sup>5</sup>

“As health systems grow larger, foodservice has become even less of a strategic priority and gaining access to the strategic thinkers is challenging.”

Tim Pierce  
CEO, Morrison Healthcare

## Food shortages

Food shortage issues may not be as directly relevant to hospitals as they will be to the communities the hospital serves, but downstream effects could be dramatic. To counter the consequences, providers can focus strategic plans on managing patient acuity, particularly chronic conditions. Further, food shortage issues could pose perils for inpatient volumes and social determinants of health, requiring a closer eye on planning in these areas.

The consequences of food shortages are broad, reaching into operations, quality, clinical outcomes and budgets. Consider multidisciplinary teams and even suppliers as sources for contributing to strategic planning and risk mitigation solutions.

## A look at daily foodservice costs

- Average cost of foodservice per bed is approximately \$35 per day; \$2.80 is the patient food tray<sup>1</sup>
- 39% of inpatient food goes to waste<sup>6</sup>

## Food prices

The more expensive food becomes the harsher the impact on the disadvantaged communities that health systems are targeting for social determinants of health strategies. See Figure 2. In addition, health systems are not immune to inflationary pricing and will be forced to increase food budgets making it harder to manage the cost of care. See Table 1.

Figure 2. The impact of food prices on strategic planning and potential consequences if not addressed

### Impact

#### Inpatient planning (Impact ○)

- Decreased inpatient margins (DRG payments remain the same despite higher percentage going to foodservices)

#### Social determinants (Impact ●)

- High vulnerability among disadvantaged community members, including hospital employees who are low-wage earners
- Higher prices in hospital cafeteria leading to employees and guests paying more for food, going off-campus or eating less nutritious meals
- Demand for food security initiatives will grow

### Consequences

- A decline in cafeteria revenue making budget cuts necessary in other areas to make up the lost cafeteria margin used to offset inpatient foodservice margin loss
- Higher prevalence of employee sick time and lower employee productivity
- Less take-home pay
- The monetary loss due to food waste will grow

**Table 1. Inflationary impacts on food products pricing**

Producer Price Index item	Month-to-month June 2022 to July 2022	Year-over-year July 2021 to July 2022	Vizient Food Price Outlook, 2023 forecast <sup>a</sup>
	Percent change (%)	Percent change (%)	Percent change (%)
Finished consumer foods; measures price change for both crude and processed goods sold to consumers	1.4	15.8	8.0 to 9.0
Finished consumer foods - processed; prepared foods like bread, meat, candy, nuts and other packaged foods	-0.9	14.4	NA
Finished consumer foods - crude; unprocessed foods like fruits, vegetables and nuts	-2.1	28.9	NA
<b>Processed foods and feeds - Meats</b>	<b>-0.2</b>	<b>-2.7</b>	<b>10 to 12</b>
Processed foods and feeds - Poultry	-1.8	26.5	6.0 to 8.0
Processed foods and feeds - Dairy products	0.0	21.3	5.0 to 7.0
Processed foods and feeds - Fats and oils	-9.0	13.6	3.0 to 5.0
Processed foods and feeds - Cereal and bakery goods	0.5	15.9	6.0 to 8.0
Processed foods and feeds - Fruits and vegetables	1.1	12.5	3.0 to 5.0

Source: Producer price index. Bureau of Labor Statistics website. Published August 11, 2022. Accessed August 28, 2022. <https://www.bls.gov/ppi>

“ We continue to work closely with our customers to help them find other areas of their operation where they can capture cost savings such as alternative product solutions, menu optimizations and back-of-house labor saving solutions. And of course, we are working closely with our suppliers to help manage product availability.”

**Moira Gledhill MS, RD**  
 Director, Business Solutions  
 US Foods, a Vizient-awarded supplier



### Foodservice workforce

The workforce shortages existing in other areas of the hospital (e.g., clinical staff) are carrying over to foodservices. In addition, the vendors responsible for the manufacturing, preparation and delivery of food to hospitals that outsource these functions are facing their own workforce challenges. Retention of experienced foodservice employees is important when considering the intricacies of well-managed tray delivery timing, as recent Vizient Performance Improvement Collaborative results highlight the need to deliver trays for diabetic patients in accordance with optimal times for obtaining glucose readings. Workforce strategies aimed at recruitment, retention and process redesigns need to include foodservices moving forward. See Figure 3.

**Figure 3. The impact of workforce shortages on strategic planning and potential consequences if not addressed**

**Impact**

**Hospital-based employees (Impact ●)**

- Shortage of employees to prepare and deliver meals and the care coordination needed to effectively plan for food insecure patients post-discharge
- High turnover of foodservice employees
- Inability to procure food for inpatient care due to shortages and supply chain issues

**Vendor-based employees (Impact ●)**

- Unsustainable increases in wages and benefits to get back to full staffing levels
- Inability to procure certain foods for hospital clients due to shortages and supply chain issues

**Consequences**

- Expansion of workforce budgets to recruit, train and retain employees
- Delays in inpatient meal delivery
- Increase in overtime pay and agency rates for contract staff due to high turnover
- Lower patient satisfaction scores, which in turn will impact revenue
- Vendors' wage and benefit increases passed to consumers

**Turnover among employees turns up costs**

- The average cost to replace an hourly employee is \$1,500<sup>7</sup>
- Quit rates among accommodations and foodservice employees jumped from 4.8 in 2020 to 6.9 in 2021.<sup>8</sup>
- Only 21% of hospitals have a retention strategy for long-term service employees, compared with 59% that have new-hire retention strategies.<sup>9</sup>

**Develop near-term action plan**

Taking action to reduce the impacts of the food challenges will help protect systems' strategic plans. Steps health systems can take to minimize the impact include:

- Tap the expertise of dietitians to determine adequate substitutions in inventory and dietary options (e.g., does an underweight 90 year old benefit from a restricted diet, or is it detrimental to their healing process?), save money on excessive and hard to manage inventory, improve the likelihood patients will receive their needed nutrition and decrease the amount of food waste
- Educate clinicians on appropriate coding to ensure money is not left on the table for malnutrition diagnoses and treatment
- Leverage data to identify food preferences based on geographies and culture to mitigate waste.
- Revise menus, recipes, cooking methods and improve portion control
- Make changes to food preparation and reduce preparation time, which will directly lower labor costs in both preparation and kitchen clean-up time
  - Switch to ready-to-eat foods, such as pudding cups as opposed to making pudding in-house
  - Grill chicken for the meal instead of assembling large chicken casseroles
  - Use frozen vegetables versus fresh
- Raise retail prices in cafeteria to offset margin loss
- Improve workforce efficiency and reduce overhead (e.g., tray line efficiency, hours of operation, frequency of tasks, automation)

**Operational changes working well at The Ohio State University | Wexner Medical Center**

1. Offering mobile ordering in retail operations
2. Using touchless check out – the customers scan their own card/badge
3. Applying grocery store concept – for example, selling berries and lettuce by the container are popular items at Wexner
4. Conducting daily 9 a.m. team huddles to confirm any menu changes due to product shortages



## Mitigate potential long-term implications

Preventive action during the strategic planning process can help protect hospitals from worse-case scenarios.

- Accelerate social determinants of health initiatives and include input from dietary professionals
- Move to a room service food program that utilizes mobile technology, allowing patients to order via mobile app with selections based on diet to achieve better order intake, and decrease food and labor waste
- Restructure labor allocations (e.g., micromarket for retail and devote more productive hours to patient services)
- Ensure top of license work (e.g., dietitians)
- Incorporate nutrition into strategic plans (e.g., food as medicine)
- Understand role of nutrition in readmissions
- Implement strategic pricing in the cafeteria to make healthier options more attractive
- Invest in employee retention; develop career pathways for entry-level foodservice employees
- Plan to have multiple suppliers to increase options
- Explore community partnerships to provide healthy food options for underserved populations

“I am incredibly proud of our food and nutrition services teams who adjust and adapt every single day to manage about 40 outages per day. They have heightened communication to all staff in order to limit the impact on patients, families and staff.”

**Julie Meddles, MS, RDN, LD**

Director, Health System Nutrition Services  
Ohio State Wexner Medical Center

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Vizient monitors supply chain dynamics to collaborate with awarded suppliers and represent its member hospital needs. For information on reducing the impact of food challenges, contact [Penny Schneider](#), senior director, Vizient contract services.

## References

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- a **Forecast note:** This forecast is compiled based on information gathered from many primary and secondary sources that Vizient believes to be accurate to the best of its knowledge at the time of publication. It is intended as general information only and is provided as an accommodation to members. Use of this data is at user's sole risk. This information is presented "as is" and without any warranty or guarantee, expressed or implied, as to completeness or accuracy, or otherwise. Given the many factors that determine pricing, the estimates are subject to error and may require revision. No representation of warranty, express or implied, of the fitness for any specific purpose of this information whatsoever is made.



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