

Food Cost Control in Health Care Facilities



In a Senior Living facility, food expense is generally the second largest budget line after employee wages. Therefore, it is important for a successful health care facility to control their food budget.



The food budget may include:

- Resident meals and snacks
- Hydration protocols for residents
- Supplements for residents
- Employee meals, snacks, and beverages
- Guest meals, snacks, and beverages
- Other types of foodservice such as catering, daycare, meals on wheels...
- Food used for Activities and facility marketing events

Additional products purchased by Dietary that may be included in the "food" budget:

- Paper products used by Dietary (and throughout the facility)
- Dietary chemicals
- Food item used as a part of med-pass protocols
- Equipment and Supplies

To determine the cost of food served to residents (often referred to as PPD), you will need to separate non-resident food (including foods used for activities) and non-food items from the food expense GL code prior to doing your calculations.

In order to determine the cost of food served during a given time period, you need to do an inventory and determine the value of the food that you have in storage at both the beginning and the end of the time period. This allows you to account for deliveries received at the end of the period where the foods will be consumed in the next period. It also accounts for any forward purchasing that the facility has made. Ask your foodservice supplier about the resources that they have available to assist you in determining the value of your inventory.

Formula to determine the cost of goods used during a given time period:

$$\begin{array}{|c|} \hline \text{Beginning Value of} \\ \text{Inventory} \\ \text{(at the beginning of the} \\ \text{time period)} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Purchases} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Ending Value of} \\ \text{Inventory} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Cost of Foods Served} \\ \text{During the Time Period} \\ \hline \end{array}$$



Food cost can be influenced by a variety of factors. Here are a few questions you may want to ask as you review your food service department.

- How much food is wasted in my facility during a given time period?
 - Perishable food that goes out of date or loses quality before it is served
 - Overproduction
 - Improper product rotation or storage issues that result in food waste
 - Improper portioning resulting in waste
- Do I have any issues with theft or mis-management?
- Am I purchasing products in the best pack sizes & quantities for my facility size?
- Am I storing perishable products at the proper temperatures to maintain quality and enhance shelf life?
- Am I purchasing the proper product for my menu application?
- Am I using my labor in the food service department appropriately?
 - Food cost and labor cost are intertwined in your Dietary Department. You can choose to decrease your labor by using ready-prepared products which will increase your food cost. Or, you can choose to prepare foods from scratch, which will generally decrease food costs, but increase the labor needed to prepare meals.



Your foodservice supplier has resources to assist you to control your food costs. Make an appointment to talk to them about what they can offer to assist you in keeping your Dietary costs under control while offering your residents a positive dining experience.

Raw Food Costs: How to Calculate Per Patient Day (PPD)

To calculate raw food costs:

- Total all food expenses for the month
 - Include food expenses from every food vendor used by the facility (groceries, produce, dairy, bread, etc)
 - Do not include nonconsumable items, such as paper products and cleaning supplies
- Estimate number of meals served/month in the facility by one of these methods*:
 - Review documentation of meals served daily and total this number for the month
 - Review your daily census: for each day, multiply the daily census by 3 (# meals served/day) and multiply by the number of days in the month
- Divide the total expenditure for raw food by the number of meals served/month for cost/meal. Multiply by 3 for cost/day

Example for a 50-bed facility

Food expenditures	Cost
Groceries (from major food supplier)	\$5000.00
Groceries (from secondary food supplier)	\$650.00
Dairy	\$600.00
Bread	\$450.00
Produce	\$200.00
Eggs	\$50.00
Total raw food	\$6950.00

Source: Nutrition411

Meals served per month:

- 50 residents/day × 3 meals/day=150 meals/day
- 150 meals/day × 30 days/month=4500 meals/month

Raw Food costs:

- Raw food costs: \$6950 (cost of raw food)÷4500 meals/day=\$1.54/meal
- \$1.54/meal × 3 meals/day=\$4.63/patient day

* Raw food costs are an estimate, unless you are able to exactly document the number of meals served each day. Many facilities are unable to accurately capture new admissions, discharges, or those who are out of the facility temporarily at mealtime.

PPD Calculation from Raw Food Cost Worksheet

Community Name: _____

Invoice Date Range: _____ Number of Days in Month: _____

Number of Residents: _____

Food expenditures - June	Cost
Groceries (from major food supplier)	
Groceries (from secondary food supplier)	
Dairy	
Bread	
Produce	
Eggs	
Total raw food	\$

Meals served per month:

- _____ residents/day × 3 meals/day=_____ meals/day
- _____ meals/day × _____ days/month=_____ meals/month

Raw Food costs:

- Raw food costs: \$_____ (cost of raw food)÷_____ meals/day=\$_____/meal
- \$_____/meal × 3 meals/day=\$_____/patient day