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## A Nugget of Opportunity: Viewing Food Services From a System Perspective

While most delivery systems are focusing on major clinical and support areas for integrated improvements, some astute systems are discovering significant and nearly painless opportunities in a surprise location: food services. In fact, one of Branson's clients identified nearly \$2 million in savings *without downsizing the operations or compromising the quality of the food served.*

### Why bother looking at food services?

Consider the reasons why most systems tend to overlook food services as a source for potential cost reductions:

- food services represents approximately 2-5% of the budget of most delivery systems;
- food issues can be political: everyone has an opinion about food and many people make it known;
- benchmarking articles have not identified food services as a key department; and
- many providers have high levels of patient satisfaction regarding the meal activities.

Does food services deserve to be on your radar screen as you continue to integrate health care?

### Savings can be quickly realized and deployed to more strategic initiatives

While there are several reasons to put most of an integrated delivery system's (IDS) available resources into redesigning service lines, it still might make sense to perform a due diligence of system food services:

- shifts in lengths of stay and outpatient volumes are reducing the need for extensive menus;
- outsourced food services might not have appropriate incentives to reduce meal costs;

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- cafeteria meal subsidies, catering policies, and patient menus might vary among facilities; and
  - best practices can easily be leveraged within a system perspective.

Most opportunities can be achieved within several months, with savings deployed where they are needed the most: the strategic redesign of your system's service lines. In addition, if you have self-insured employee health benefits, long term gains can be achieved by restructuring cafeteria and catered meals to emphasize "healthy" foods.

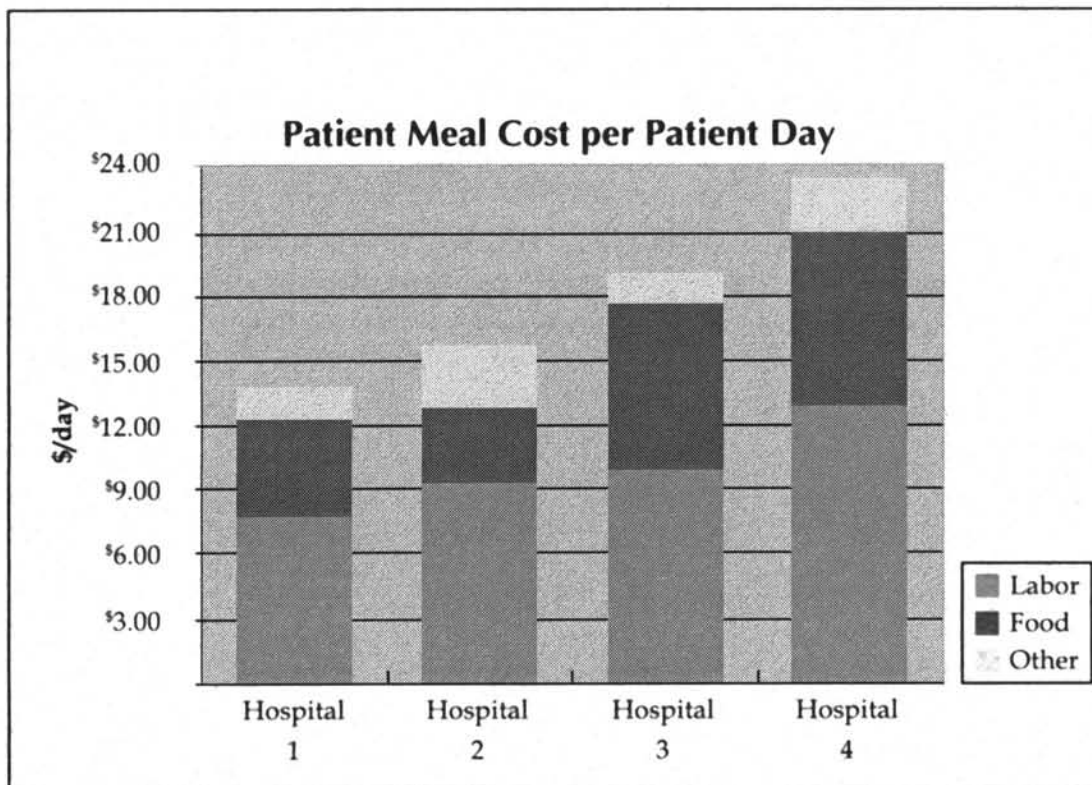
A large integrated delivery system recently assessed their food services with a mission to identify activities which can benefit from a system-wide coordination. Key food service activities, such as patient meals, cafeteria meals and catering, were analyzed, compared, and contrasted to quantify opportunities for improvement. The significant findings included:

- patient meal cost variations, including floor stocks, of nearly 70% between similar facilities;
- cafeteria meal discounts for employees ranging from 28-45%; and
- unmanaged catering policies resulting in as much as a 15% annual growth rate in catering expenses.

### **Painless medicine for the IDS**

This analysis was developed within eight weeks. Food product cost opportunities are nearly \$2 million and are being realized within 12 months by implementing straightforward recommendations:

- incorporate best practices, such as core menus, to reduce food costs without sacrificing quality or service;
- develop a system-wide budget for cafeteria meal discounts which results in consistent menu prices;
- incorporate menu incentives for "healthy" meals for patients and employees; and



*Wide variations in daily meal costs can be found when evaluating food services from a system perspective.*

- standardize on policies that have reasonable limits on catered meals.

Finding these opportunities in your delivery system involves:

- identifying and allocating activity costs to the major food service activities such as patient and cafeteria meals;
- benchmarking these costs externally and within the system to quantify potential savings;

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- working with a system-wide food service team to identify and develop appropriate best practices;
  - establishing executive ownership of these activities; and
  - measuring and communicating the success of the efforts at a system level.

While food services may not be a major player in system cost reduction, the opportunities can be realized quickly and may not involve the painful process of downsizing. Such an activity, if fully embraced and supported by management, can fund more costly and complex changes in the IDS and reduce long term exposure of employee health costs for self-insured systems.

Branson, Inc. helps health care organizations build delivery systems that excel in dynamic markets by taking a fresh perspective on core services, market trends, and strategic service lines. Branson's services include: market assessments, business and operational planning, and service line integration and design. The firm emphasizes developing its clients' internal skills with pragmatic techniques and proven tools.

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