



FOOD COSTS: PART I

ARE YOUR COSTS WHERE YOU WANT THEM TO BE?

HOW ARE THEY CALCULATED?

ARE YOU DOING BETTER OR WORSE THAN OTHER FACILITIES NEARBY?

Containing food costs is an on-going discussion for most NF Administrators, Dietetic Service Supervisors and the Consultant Dietitians. Tracking costs, and taking effective control of "bad" situations are imperative if costs are too high.

Food costs are the subject of this and the November newsletter.

Calculation of the true meal cost is covered in this issue. The November newsletter will address specific actions to take if costs are out of control.

Let's look at two facilities: Sunshine Nursing Care and Bright Star Convalescent.

	Sunshine Nursing Care	Bright Star Convalescent
OCTOBER FOOD PURCHASES	\$9,058.50	\$10,175.25
Total number of resident days in October (97 residents x 31 days)	3,007	3,007
PER RESIDENT DAY RAW FOOD COST: (Purchases divided by resident days)	\$3.01/PRD	\$3.38/PRD

By this comparison, Bright Star is spending \$0.37 per resident day more for food than Sunshine Nursing Center.

But are they comparing the same thing? Let's look further.

OCTOBER FOOD PURCHASES

Non resident meal expenses
(food costs beyond the three meals per day):

Employee "free" meals

Dietary - 190 meals x \$1.25 (6 meals per day).....

*Dietary - 190 meals x \$1.40 (6 meals per day)....

Administration

60 meals x \$1.25 (2/day).....

90 meals x \$1.25 (3/day).....

Nursing Staff

60 meals x \$1.25 (2/day).....

Activities

Birthday Parties

Bingo, movies, ice cream socials.....

Nourishments

3 oz/Res/Day (@ 4¢ per oz).....

6 oz/Res/Day (@ 6¢ per oz).....

Nursing Service Supplies

Applesauce

1 qt/day good grade.....

2 qt/day fancy grade.....

50% juice based punch

6 qt/day (2 oz/Res/Day).....

100% orange juice base

12 qt/day (4 oz/Res/Day).....

Additional Nourishments/Snacks

Milk, sandwiches, gelatin, ice cream, cookies,
crackers

2¢/Res/Day.....

4¢/Res/Day.....

Sunshine Nursing Care	Bright Star Convalescent
\$9,058.50	\$10,175.25

\$237.50

\$266.00

\$75.00

\$112.50

0.00

\$75.00

\$15.00

\$35.00

\$25.00

\$55.00

\$360.84

\$1082.50

\$28.38

\$50.65

\$104.43

\$314.26

\$60.14

\$120.28

Total amount of money spent per facility beyond cost of three meals per day.

\$906.29	\$2121.19
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Sunshine\$ 9,058.50 - 906.29 = \$8,152.21

Bright Star\$10,175.25 - 121.19 = \$8,054.06

Total spent on Resident Meals only.....	\$8,152.21	\$8,054.06
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Total Number of Resident Days in October.....	3007	3007
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PER RESIDENT RAW FOOD COST:	\$271.00	\$267.00
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* Dietary staff prepares special foods for themselves.

If in the above example, Sunshine included three tube fed residents in their census, their true meal count would be 94 residents x 31 days for a total of 2,914 resident days. Dividing 2,914 into their raw meal cost of \$8,152.21 yields a per resident day raw meal cost of \$2.80 per resident day. This assumes the cost of tube feeding formulas are reimbursed, and the cost of the formulas is not included in food purchases.

What have we learned?

Each facility should specify:

- ★The dietary department's raw food budget.
- ★The budget for activities, nursing supplies, nourishments, "free" meals, plus any special occasions such as quarterly meetings, guest trays, family member meals.
- ★The correct procedure for calculating resident days when one or more residents are tube fed.

If costs in one area are over the budget, dietary, administration and department managers should together select the corrective action, and be supportive of the resulting changes in service levels. Be sure to involve the Consultant Dietitian in setting up measures to controls costs both within and outside the dietetic service.

FOOD COSTS: PART II

ARE YOUR FOOD COSTS WHERE YOU WANT THEM TO BE? HOW DO YOUR MANAGEMENT DECISIONS INFLUENCE THE RAW FOOD COST OF THE THREE MEALS PER DAY?

Let us look again at our two facilities. This time we are examining the effects management decisions have on the cost of the three meals per day.

	Sunshine Nursing Care	Bright Star Convalescent
BREAKFAST		
Orange Juice 4 oz 100% Base	\$0.10	
Frozen dispenser vended		\$0.15
Buttered toast 1 slice.....	\$0.03	
Bagel 1 each.....		\$0.19
DINNER		
3 oz Beef roast	\$0.56	
3 1/2 oz Beef roast		\$0.65
Fresh zucchini 1/3 C	\$0.05	
Frozen zucchini 1/2 C		\$0.09
Lemon chiffon pudding with topping 1/3C	\$0.07	
Lemon meringue pie 1/8 pie, purchased		\$0.52
SUPPER		
Vegetable beef soup 6 oz made from scratch	\$0.09	
Vegetable beef soup 6 oz canned		\$0.33
Lasagna prepared from recipe, 6 oz portion	\$0.43	
Lasagna frozen prepared, 6 oz portion		\$0.71
TOTAL	\$1.33	\$2.64

RESIDENTIAL MEAL COSTS ARE INFLUENCED BY:

- ★Menu
- ★Portion size served
- ★Ingredient price
- ★Use of over produced foods
- ★Amount of ingredients used in food preparation
- ★Care and turning of inventory

THE MENU:

The facility should select the H.M. Composite menu system in keeping with their food budget. Our menu meal costs range from \$2.40 PRD to \$3.25 PRD. These differences are determined by the types of food on the menu (apple crisp or Dutch apple pie – fish square or salmon filet). Both are nutritionally adequate, colorful, offer a good variety of items and can be well served by the dietary staff.

INGREDIENT PRICE:

The cost of an ingredient is determined by:

The Product Grade: Commodities such as fresh and frozen meats and fish, canned, frozen and fresh fruits and vegetables are graded. The more perfect the product, the greater the cost. Food Service distributors carry more than one grade of commodities. The facility needs to become familiar with its distributor's grading system in order to specify the product grades they want. When sampling products that will be ordered on a regular basis, be sure to check the yield of the product as well as the acceptability of the quality.

The Composite menu system allows the client to select the product grade preferred. For example: applesauce currently costs \$15.57 or \$16.52 or \$17.84 per case. The quality is different, but all are 100% applesauce.

Shipping and Packing: Packaging costs money. What is the least amount of packaging suitable to your facility meal image? Is bread pre-buttered, are cardboard butter pats put on the trays, or is foil wrapped margarine your image? Shipping fees are a part of a product's costs. Liquids weigh more and cost more per ounce than products re-constituted at the facility. Cans weigh more than cardboard. Can products be purchased with less packaging and containing less water? Usually bulk purchases cost less per unit.

Vendor Pricing Structure: Vendor prices are determined by the vendor's cost from the manufacturer, the customer's usual order size, and payment frequency. Purchasing contracts such as a prime vendor, a corporate program or a group purchasing arrangement help assure a consistent pricing structure.

AMOUNT OF INGREDIENTS USED IN FOOD PREPARATION:

Ingredient Usage: The amount of ingredients to use is specified on the recipe and the serving size is printed on the menu. Composite menus are written to provide all the required nutrients for each day, and care should be taken that unnecessary extra amounts are not included. For example: it is recommended that adults drink a total of 16 ounces of milk per day. The Composite menus specify milk portions of 8 oz, 4 oz and 4 oz for the three meals. If the client prefers to serve 8 ounces per meal, their food costs will be 50% greater for milk.

Cooking Techniques: Cooking techniques determine yields, which in turn influence food costs. For example: a beef roast over-cooked by only 12 minutes, loses 6 ounces of weight resulting in an increase of 5¢ per three ounce portion. Vegetables visibly shrink as they sit on a steam table. Food should be cooked to its peak of doneness, then served. Holding and over-cooking reduces volume which increases cost, therefore batch cook as much as possible. Be sure the ovens are properly calibrated, set timers, and monitor roasting temperature with thermometers. These procedures increase flavor, improve appearance, reduce shrinkage and produce the best product possible.

PORTION SIZES SERVED:

Composite menus specify the portion sizes to serve. Residents should be evaluated as to appropriate portion size, and that notation included on the tray card. Some residents might do well with large breakfasts and regular or small portioned noon meals.

Continual monitoring the tray line service assures that residents are properly served.

OVER PRODUCED FOOD:

There will be some over production at meal time. Staff should regularly check the resident census board and adjust quantities to the current need, wrap and store for future use over produced bakery and meat items at the time of production, and incorporate other items into soups, staff meals or casseroles as is appropriate.

CARE AND TURNING OF INVENTORY:

Inventory is money in the bank, only it does not earn interest. See that products are properly and safely stored, and that they are incorporated into the menu cycle within a reasonable length of time. They must be kept safe from warehouse damage, from walking out the back door, and in top condition for use. Weekly checking of storerooms, refrigerators and freezers will help assure the proper use of products.

In summary, control of the dietary food costs is a complex issue. The meals directly reflect the philosophy of the facility, the ability of the dietary staff and the health of the resident. It is an extremely important management investment. Every effort needs to be taken to assure that full benefits are received from this investment.

FOOD COSTS: PART III

ARE YOUR FOOD COSTS WHERE YOU WANT THEM TO BE? HOW DO YOU TRACK CURRENT COSTS, CALCULATE PER RESIDENT DAY EXPENSES, AND MONITOR TRENDS?

Section 4 of the Policies and Procedures addresses the **cost containment** aspect of the Dietary Service.

I want to bring your attention to two forms.

- ★ Recording Weekly Food and Supply Expenses (calculating daily food and supply costs.
- ★ Recording Monthly Food and Supply Costs

These are the forms to utilize when calculating the weekly, average cost of purchased food and supply, and to compare the weekly expenses over the fiscal year.

The first form is used to record the daily resident census and the invoice totals from vendors. The calculations at the bottom of the form result in the average, daily food cost.

The second form records the week by week totals for a long term comparison. Here the effects of special holiday meals, unusual facility events, or the famous five delivery in the month costs are evened out over the year. Please refer to the enclosed examples of completed forms.

When the costs have been calculated, and if the dietary service is exceeding the facility budget, it is time to ask the Consultant Dietitian for help. She and the Dietetic Service Supervisor can review the expenses, the 'hidden' food costs outlined in the previous two parts, and determine an action plan for taking control of costs.

RECORDING WEEKLY FOOD & SUPPLY EXPENSES

Calculating and Recording Daily Food and Supply Costs

Date: From _____ through _____

Date	Daily Census	Meat, Fish & Poultry	Dairy Products	Produce	Eggs	Coffee/Tea	Bread/Pastry	Frozen & Gen. Groceries	Total Food Expense	Non-Food Items
11/29	97		110.00	95.00		47.25	21.00		273.25	
11/30	98	475.00			66.75				541.75	
12/1	98						27.00		27.00	
12/2	98		107.50					995.00	1,102.50	257.00
12/3	99	21.00		78.00		65.00	37.50		201.50	
12/4	96								0	
12/5	96								0	
Total	682	496.00	217.50	173.00	66.75	112.25	85.50	995.00	2,146.00	257.00
Discounts/Credits/Returns									- 21.42	0
Total Cost									2,124.58	257.00
Value of Meals Sold									- 0	0
Net Expense									2,124.58	257.00
Divided by Total Resident Days									682	682
Cost PRD This Week									3.12	0.38
Budget Per Resident Day									3.15	.30
Difference									- 0.03	+ 0.08

Food & Supply Cost for

Number staff meals (no charge) for week 75

Number of meals sold for week 0

Signature Dietetic Service Supervisor

RECORDING MONTHLY FOOD AND SUPPLY COSTS

Purpose: To record Monthly Dietetic Service Food and Supply Costs for budget comparison and review.

	Jan		Feb		Mar		Apr		May		June		July		Aug		Sept		Oct		Nov		D
	Food		Food		Food		Food		Food		Food		Food		Food		Food		Food		Food		Food
	Supply		Supply		Supply		Supply		Supply		Supply		Supply		Supply		Supply		Supply		Supply		S
Week 1 PRD																			3.11	.31	3.12	.27	3.12
Week 2 PRD																			3.14	.29	3.09	.29	
Week 3 PRD																			3.17	.28	3.27	.25	
Week 4 PRD																			3.08	.29	3.92	.42	
Week 5 PRD																			2.98	.32	0	0	
Monthly Average																			3.10	.30	3.35	.31	

Budget: Food Cost \$3.15 Budget: Supply Cost \$0.30