



# Hospital Food Purchasing: A Primer for North Central Region Sustainable Farmers/Producers

There are 1,456 registered community hospitals (non-federal, short-term general and other special hospitals) and 37 VA hospitals/medical centers<sup>1</sup> in the north central region— Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.<sup>2,3,4</sup>

The Institute for Agriculture and Trade Policy (IATP) estimates that these hospitals spent nearly \$1 billion on food and beverages in 2012. Many of these hospitals have expressed interest in buying sustainably produced food and beverages, but most are likely spending less than 10 percent of their current food budgets on these products and buying few if any of these items directly from sustainable farmers/producers located in nearby communities. Thus, north central region hospitals represent a large potential market for sustainable farmers/producers. See the IATP report *Connecting Sustainable Farmers to Hospitals—A Farmer/Producer-Focused Report* at [www.iatp.org/farm-to-hospital](http://www.iatp.org/farm-to-hospital).

Hospitals are urban or rural. Most VA hospitals/medical centers are in urban areas, and nationwide 60 percent of registered community hospitals are located in urban areas. However, in the north central region, slightly more than half of the community hospitals are in rural areas, and in some states there are far more community hospitals in rural areas than urban. See Table 1.1 for comparison of rural versus urban community hospitals in north central region states.

Table 1.1—Rural Versus Urban Community Hospitals in North Central Regions States<sup>5</sup> (ranked by percent rural)

State	Rural	Urban	Portion of community hospitals that are rural
Nebraska	70	16	81.4 percent
North Dakota	33	8	80.5 percent
South Dakota	42	11	79.2 percent
Kansas	99	33	75.0 percent
Iowa	84	34	71.2 percent
Minnesota	81	51	61.4 percent
Wisconsin	56	69	44.8 percent
Missouri	53	67	44.2 percent
Michigan	58	95	37.9 percent
Illinois	64	124	34.0 percent
Indiana	40	85	32.0 percent
Ohio	55	128	30.1 percent

This is important for sustainable farmers/producers to note, because urban hospitals tend to have much higher patient volumes than rural hospitals and consequently will serve more meals (patient and retail) and have higher volume needs. Urban hospitals typically have 100 staffed beds or more, while nearly half of all rural hospitals have 25 or fewer staffed beds.<sup>6</sup>

In 2011, nearly 62 percent of community hospitals and 27 percent of VA hospitals/medical centers in the north central region had 99 or fewer staffed beds.<sup>7,8</sup> Per IATP's research,

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these smaller hospitals typically spent \$140,000–\$400,000 on food and beverages, while hospitals with 100 or more staffed beds spent \$600,000–\$5 million. See Table 1.2 for a comparison of the demand represented by a small, rural hospital and a large, urban hospital.

Table 1.2—Comparison of Demand Represented by a Rural Hospital and an Urban Hospital

Geographic area	Rural	Urban
<b>Number of Staff Beds</b>	25	800
<b>Average Daily Census</b>	15	500
<b>Number of Employees</b>	300	6000
Product Type	Volume purchased annually	Volume purchased annually
<b>Beef</b>	1,411 lbs	43,683lbs
<b>Chicken</b>	2,922 lbs	51,575 lbs
<b>Pork</b>	717 lbs	22,858 lbs
<b>Turkey</b>	900 lbs	14,423 lbs
<b>Seafood</b>	838 lbs	8,804 lbs
<b>Produce, fresh, whole</b>	7,949 lbs	70,327 lbs
<b>Produce, fresh, pre-processed</b>	8,009 lbs	89,698 lbs
<b>Produce, frozen</b>	1,707 lbs	20,792 lbs
<b>Fluid milk</b>	1,100 lbs	22,150 lbs
<b>Eggs</b>	750 dozen shell; 1,100 lbs processed	4,814 dozen shell; 28,583 lbs liquid
<b>Butter</b>	721 lbs	2,945 lbs
<b>Cheese</b>	2,408 lbs	19,593 lbs

**NOTE:** The number of beds available for patient use usually indicates a hospital’s size. The maximum number of beds a hospital can operate is its “licensed beds.” Most hospitals beds are not full on a routine basis. Therefore, a hospital’s “staffed bed” number—the number of licensed beds for which staff is on hand at any given time to attend to patients—is a better indicator of size. However, the number of staffed beds can also include routinely vacant beds, so the best size indicator of a hospital’s size is a hospital’s average daily census (ADC). A hospital’s ADC may be much lower than staffed beds, and provides the most accurate count of the number of patients for which hospitals serve meals on a routine basis. Unfortunately, a hospital’s ADC is not reported as publically or routinely as staffed beds.

Regardless of size, all hospitals are likely to prepare and serve food and beverages to patients staying in the hospital, and most make food and beverages available for purchase by staff, outpatients, and visitors via cafeterias and vending.<sup>9</sup> Many also cater on-site meetings and events.

Food service operations may vary considerably from one hospital to another. Some hospitals only prepare and serve a few hundred meals a day; others make thousands. Some hospitals prepare all meals onsite, others off-site at a centralized kitchen. These latter hospitals are usually part of a hospital system and not standalone. Some hospitals make almost every meal from scratch using raw, unprocessed ingredients; others use a considerable amount of readymade items they just heat and serve. Some manage food service in-house; others hire a company to do it for them. Finally, some hospitals give their food service managers and chefs considerable leeway to decide what to buy and from whom, but many provide almost no flexibility. These differences can affect whether and how sustainable farmers/producers sell products to hospitals in their community.

### Meals served

Hospitals tend to serve three meals per day every day of the year to patients (in-house) and provide snacks as well. The availability of food through retail operations, such as cafeterias, will vary depending on the time of day. All of the hospitals with retail dining services that completed the latest Food Service Director survey serve lunch and almost all served breakfast.<sup>10</sup> Most hospitals also make dinner and snacks available via retail dining, but the fewer retail meals the hospitals served on average, the less likely they were to offer dinner and snacks. Note: Hospitals that serve 500 or more retail meals per day were more likely to serve additional late night meals.

Generally, the number of patients, employees, and visitors for a given hospitals will have the greatest influence on the number of meals served on average. A hospital with an ADC of 15 patients will serve approximately 45 patient meals per day while a hospital with an ADC of 800 will serve approximately 2,400 patient meals per day.<sup>11</sup> Similarly, a small hospital with 300 employees might serve 150 retail meals per day while a large hospital with 8,000 or more employees will serve thousands of retail meals per day.

In addition, the ratio of patient to retail meals served will vary from one hospital to another, with some hospitals serving more patient meals on average than non-patient

meals. However, per the latest Food Service Director survey, overall hospitals tend to serve fewer patient meals than non-patient meals—41 percent patient meals to 59 percent retail meals/transactions.<sup>12</sup>

## Meal preparation

More often than not, all of these meals are prepared on-site, and through some combination of the use of purchased ingredients to make food from scratch and purchased food items that are ready to heat or serve. However, some health systems use a commissary model to prepare in-patient meals, preparing food at a central location, and delivering the food to hospital kitchens in bulk or pre-plated for service. More of these latter meals will be made from scratch. In recent years, many hospitals, especially larger hospitals that serve more patient meals and have higher annual food and beverage expenditures,<sup>13</sup> have switched to a hotel-style, room service model for patient meals, whereby patients can order from a many option menu and have meals delivered when they are hungry and available to eat them. Per FoodService Director, this amounts to about 40 percent of hospitals. The remaining 60 percent use a more limited menu and deliver meals and snacks at pre-determined times.

## Overall management

By some estimates, most hospitals still hire employees to manage and run their food service operations (self-op). The Association for Healthcare Foodservice (AHF) reports that “self-op facilities represent 80 [percent] of food and beverage purchases in the industry.”<sup>14</sup> In addition, Food Service Director reports that 78 percent of hospital respondents to their 2013 survey manage food service in-house, 17 percent outsource management, and 5 percent have split management.<sup>15</sup>

In contrast, the latest Food Service Director Contractor census indicates that food service contractors are managing at least a portion of food service operations at 3,702 hospitals,<sup>16</sup> a number equal to 65 percent of the 5,724 registered hospitals in the U.S. However, little information was provided regarding the census methodology, so it is difficult to gauge the accuracy of this latter calculation.

Regardless, the percentage of self-op to contract food service seems to vary from place to place. For example, most of the hospitals in the Twin Cities metropolitan area have hired one of the top three food service contractors: Compass Group North America, Sodexo, Inc., and Aramark Corp.—to

manage their food service operations, but many non-metro area Minnesota and western Wisconsin hospitals manage food service in-house.<sup>17</sup>

**NOTE:** Together Compass Group, Sodexo, and Aramark controlled 95 percent of the contracted hospital market in 2011.<sup>18</sup> See Table 1.3 for a list of the top management companies that have hospital accounts.

Table 1.3—Top Management Companies with Hospital Accounts<sup>19</sup> (ranked by overall revenue, not hospital revenue)

Management company	Headquarters	Hospital portion of business	Area served (if known)
Compass Group North America	Charlotte, N.C.	26 %	International
Sodexo, Inc.	Gaithersburg, Md.	29 %	International
Aramark Corp.	Philadelphia, Pa.	18 %	International
Thompson Hospitality	Herndon, Va.	7 %	North America
Valley Services, Inc.	Jackson, Miss.	22 %	United States
Healthcare Services Group, Inc.	Huntingdon Valley, Pa.	1 %	47 states and Canada
AVI Food Systems, Inc.	Warren, Ohio	15 %	Ohio and contiguous states
Metz Culinary Management	Dallas, Pa.	8 %	Not listed
Unidine Corp.	Boston, Mass.	33 %	Across the United States
Treat America Food Services	Merriam, Kans.	10 %	Midwestern states
A'viands Food & Services Mgt.	Roseville, Minn.	3 %	Midwest, Southwest
Thomas Cuisine Management	Meridian, Idaho	81 %	Idaho, Mont., Ore., Wash.
Southern Food-service Management, Inc.	Birmingham, Ala.	2 %	Nationwide
Cura Hospitality	Orefield, Pa.	18 %	Pa., Del., N.Y.
Continental Dining & Refreshment Services	Sterling Heights, Mich.	6 %	Mich. (now part of Compass Group)
CL Swanson Corp.	Madison, Wis.	2 %	Midwest, MidSouth
HHA Services	St. Clair Shores, Mich.	77 %	Not listed
Prince Food Systems, Inc.	Houston, Tex.	70 %	Mainly in Tex. but also has sites in Ohio, La., Minn., and Tenn.

Table 1.3—Top Management Companies with Hospital Accounts<sup>19</sup> (ranked by overall revenue, not hospital revenue)

Management company	Headquarters	Hospital portion of business	Area served (if known)
Luby's Culinary Services	Houston, Tex.	85 %	Tex.
FAME Food Management, Inc.	Wakefield, Mass.	10 %	Nationwide
Nutrition Management Services Co.	Kimberton, Pa.	20 %	Not listed
Linton's Managed Services	East Norriton, Pa.	29 %	Pa., N.J., Md., Del., Fla.
Kosch Hospitality	Rochester, Mich.	5 %	Mich., Ohio

In addition, some hospitals manage patient food operations in-house and outsource management of retail operations. For instance, federal government employees run patient food service operations for most VA hospitals/medical centers, and Veterans Canteen Service, a contractor, manages most of the cafeterias and other retail operations.<sup>20</sup> Other health systems may use contractors to manage both patient and retail food service operations at all of their hospitals, and some only use contractors to manage these operations at a few of their facilities.

Hospitals also differ in how they use these contractors. For instance, a hired food service management company may only provide a few company managers who oversee a staff of hospital food service employees or the company may employ most or all food service personnel working at a particular facility—managers, supervisors, chefs, line cooks, servers, etc.

Contracts tend to last several years, and it is common for one major contractor to replace another when a contract ends. Contracts also tend to stipulate whether the management company can use its own suppliers or will be required to use hospital-designated suppliers.

As mentioned in IATP's *Connecting Sustainable Farmers to Hospitals: A Farmer/Producer-Focused Report*, some sustainable farmer/producers have had success selling to hospitals that have contract food service management, but others see food service contractors as a primary impediment to selling to hospitals. Some contractors prohibit the purchase of food directly from farmers, while others have a reputation for facilitating direct purchase of food from sustainable farmers/producers. In either case, it is important to know that food service contractors can affect the ability of sustainable farmers/producers to sell to hospitals in their community.

Furthermore, sustainable farmers/producers are likely to have greater success in selling to hospitals that operate their own food service operations, or at least a portion, typically patient food operations. This statement is based largely on anecdotal evidence and the author's experience from working with hospitals on this issue for nearly 10 years. However, per the Health Care Without Harm (HCWH) 2013 Healthy Food in Health Care (HFHC) survey, only 16.7 percent (2 of 12) of north central region hospital respondents who purchased food directly from farmers/producers in 2012 had contract food service, the remainder managed food service in-house.<sup>21</sup>

**NOTE:** Most of the hospitals that completed the HFHC survey have signed the HFHC Pledge, a voluntary commitment to increase purchases of sustainably produced food and to promote and source from sustainable producers, among other steps, and/or are participants in the Healthier Hospitals Initiative (HHI) Healthier Food Challenge, with at least a portion of these hospitals working to achieve percentage-based goals for local and/or sustainable food procurement. In addition, the following food service contractors have pledged to support the efforts of hospital clients that have signed the HFHC Pledge and work at the corporate level to support several HFHC measures:

- ARAMARK Healthcare
- Fresh & Natural Food Service Group
- HHA Services
- Integrated Support Solutions, Inc.
- Metz Culinary Management
- Morrison
- Unidine Corporation

For additional information on the HFHC Pledge for hospitals and the companion food service contractor pledge, see <http://www.healthyfoodinhealthcare.org/pledge.php>.

## Food service staff

Regardless of whether hospital employees or contractor employees manage a hospital's food service operation, a hospital's food and nutrition department is usually divided into patient and non-patient/retail-related services. If patient and retail services are managed jointly, whether by

hospital employees or contractor employees, there is usually someone in a director position that oversees all food service operations. This lead staff person usually has a title similar to the following: director of food and nutrition, food service director, director of nutrition services, etc., and is often a registered dietitian (RD). If the person is also in charge of laundry or other services, their title may be director of hospitality services. In these settings, the food service director is ultimately responsible for all food and beverage purchasing decisions, even if delegated to another staff person, such as an assistant director or executive chef. The food service director usually reports to someone in upper level management, such as, a vice president of operations.

If management is separated—patient operations managed in-house and retail operations outsourced for instance—each operation will have a director that reports to an upper-level hospital manager, i.e., a patient food service manager and a retail food service manager. Whichever is the case, sustainable farmers/producers interested in selling to hospitals should seek to develop relationships with these directors and managers. Executive chefs can also be great allies for sustainable farmers/producers who wish to sell to hospitals in their community, but not all hospitals have them, especially smaller hospitals.

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### Source of ingredients/ prepared food items

Many hospitals commit themselves to purchasing a significant percentage of their annual food service-related items from their mainline distributor, generally 80 to 85 percent. US Foods, Sysco, Gordon Food Service, Food Services of America, and Reinhart Foodservice are some of the primary mainline distributors serving hospitals. In making these commitments, hospitals limit their ability to purchase from sources other than their mainline distributors.

Hospitals make these commitments via their relationships with one or more group purchasing organizations (GPO) that serve hospitals and other institutions nationwide—Amerinet, HealthTrust, MedAssets, Novation, Premier, and others. A GPO may contract with one or more distributors on behalf of their members or they may negotiate a contract between a hospital/health system member and one or more distributors. These distributor contracts are usually in place for a set period of years with options for extension. Despite the commitments, a hospital's food service staff usually has the ability to purchase items outside these relationships, if

they want to do so and/or have C-Suite support for doing so. For instance, 75 percent the 2013 HFHC north central region survey respondents who purchased directly from farmers/producers in 2012 were each members of a GPO.<sup>22</sup>

**NOTE:** Eighty percent of north central region registered community hospitals are in a GPO.<sup>23</sup> In addition, FoodService Director reports in their 2011 Hospital Census Highlights that 82 percent of hospitals use a GPO for at least a portion of their food service purchases.<sup>24</sup> VHA serves as the GPO for VA medical centers.

### Volume-based incentives

Hospitals typically receive volume-based discounts or rebates linked to purchase of certain brands of products in key product categories, such as chicken, coffee, and yogurt. These rebates are in addition to discounts based on the dollar value of their purchases through their mainline distributor. Thus, a hospital can risk serious increases in their annual food costs, if they do nothing to offset this change when they start buying a significant percentage of their annual food budget directly from sustainable farmers/producers.

### Confidence/trust

Hospitals are more likely to prepare and serve meals to people with compromised immune systems, so it is important for hospital purchasers to feel confident that what they serve patients will not lead to further illness. Many hospital food service employees are likely to have Hazard Analysis and Critical Control Point (HACCP) training and use HACCP on a voluntary basis to reduce the risk of food borne illness. Like other food service establishments, hospitals are largely concerned with two issues when it comes to HACCP: (1) receiving food/ingredients at proper temperatures and getting perishable food into cold storage quickly and (2) receiving food/ingredients from approved sources—suppliers who comply with regulations applicable to the sale of their product. For more on HACCP and food service operations see *Managing Food Safety: A Manual for the Voluntary Use of HACCP Principles for Operators of Food Service and Retail Establishments*, <http://www.fda.gov/downloads/Food/GuidanceRegulation/HACCP/UCM077957.pdf>

## ADDITIONAL IATP RESOURCES

More information on hospital food procurement, including detailed information on product types, volumes, etc. can be found in the body and appendices of the IATP report, *Connecting Sustainable Farmers to Hospitals—A Farmer/Producer-Focused Report*, [www.iatp.org/farm-to-hospital](http://www.iatp.org/farm-to-hospital).

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## ENDNOTES

1. In addition to serving meals to patients, visitors, and personnel, VA medical centers may serve meals to residents in nursing, psychiatric, and drug and alcohol treatment facilities, as well as veterans in adult day care.

2. AHA Hospital Statistics 2013 Edition, Table 5 U.S. Census Division 4: East North Central-Overview 2007-2011 and-Utilization, Personnel, Revenue and Expenses, Community Health Indicators 2007-2011, pgs. 38-39.

3. AHA Hospital Statistics 2013 Edition, Table 5 U.S. Census Division 6: West North Central-Overview 2007-2011 and-Utilization, Personnel, Revenue and Expenses, Community Health Indicators 2007-2011, pgs. 42-43.

4. AHA Hospital Statistics 2013 Edition, Table 6 Overview 2007-2011 and-Utilization, Personnel, Revenue and Expenses, Community Health Indicators 2007-2011.

5. AHA Hospital Statistics 2013 Edition, Table 6 Overview 2007-2011 and-Utilization, Personnel, Revenue and Expenses, Community Health Indicators 2007-2011.

6. American Hospital Association. "The Opportunities and Challenges for Rural Hospitals in an Era of Health Reform," Trendwatch (April 2011), p.3. <http://www.aha.org/research/reports/reports/tw/11apr-tw-rural.pdf> (accessed October 13, 2013).

7. AHA Hospital Statistics 2013 Edition, Table 5 U.S. Census Division 4: East North Central-Overview 2007-2011 and-Utilization, Personnel, Revenue and Expenses, Community Health Indicators 2007-2011, pgs. 38-39.

8. AHA Hospital Statistics 2013 Edition, Table 5 U.S. Census Division 6: West North Central-Overview 2007-2011 and-Utilization, Personnel, Revenue and Expenses, Community Health Indicators 2007-2011, pgs. 42-43.

9. 2013 Healthcare Census: Hospitals Uncertain on Impact of Obamacare. FoodService Director. <http://www.foodservicedirector.com/trends/research/articles/2013-healthcare-census-hospitals-uncertain-impact-obamacare> (accessed September 11, 2013).

10. 2013 Healthcare Census: Hospitals Uncertain on Impact of Obamacare. FoodService Director. <http://www.foodservicedirector.com/trends/research/articles/2013-healthcare-census-hospitals-uncertain-impact-obamacare> (accessed September 11, 2013).

11. Hospitals will likely serve fewer than three meals per day per patient as many factors influence what patients can eat, when they can eat, and whether they can eat.

12. 2013 Healthcare Census: Hospitals Uncertain on Impact of Obamacare. FoodService Director. <http://www.foodservicedirector.com/trends/research/articles/2013-healthcare-census-hospitals-uncertain-impact-obamacare> (accessed September 11, 2013).

13. 2013 Healthcare Census: Hospitals Uncertain on Impact of Obamacare. FoodService Director. <http://www.foodservicedirector.com/trends/research/articles/2013-healthcare-census-hospitals-uncertain-impact-obamacare> (accessed September 11, 2013).

14. Building a Bright Future for Healthcare Foodservice. Association for Healthcare Foodservice, <http://healthcarefoodservice.org/about-us> (accessed September 26, 2013).

15. 2013 Healthcare Census: Hospitals Uncertain on Impact of Obamacare. FoodService Director, <http://www.foodservicedirector.com/trends/research/articles/2013-healthcare-census-hospitals-uncertain-impact-obamacare> (accessed September 11, 2013).

16. Contractor Census 2012. FoodService Director, [www.foodservicedirector.com/sites/default/files/2012\\_Contract\\_Census\\_Report\\_0.pdf](http://www.foodservicedirector.com/sites/default/files/2012_Contract_Census_Report_0.pdf) (accessed 10/13/2013).

17. Based on author's experience.

18. Contractor Census 2012. FoodService Director, [www.foodservicedirector.com/sites/default/files/2012\\_Contract\\_Census\\_Report\\_0.pdf](http://www.foodservicedirector.com/sites/default/files/2012_Contract_Census_Report_0.pdf) (accessed 10/13/2013).

19. Mike Buzalka. FM's 2011 Top 50 Management Companies. Food Management (September 1, 2011), <http://food-management.com/business-amp-industry/fms-2011-top-50-management-companies> (accessed October 28, 2013).

20. SPV-4Attachment A: VA Facility Data frm FY10, Solicitation #VA-797-11-RP-0176 issued October 19, 2011, <https://www.fbo.gov/index?s=opportunity&mode=form&id=f905268c5976e9da8b154dce156a677c8&tab=core&tabmode=list&=> (accessed 10/30/2013).

21. As a founding Health Care Without Harm Healthy Food in Health Care partner and a lead organization in working with north central region hospitals, IATP was given access to and is able to report the north central region specific survey data in aggregate.

22. As a founding Health Care Without Harm Healthy Food in Health Care partner and a lead organization in working with north central region hospitals, IATP was given access to and is able to report the north central region specific survey data in aggregate.

23. AHA Hospital Statistics 2013 Edition, Table 6 Overview 2007-2011 and-Utilization, Personnel, Revenue and Expenses, Community Health Indicators 2007-2011.

24. Non-Patient Service Drives Hospitals. FoodService Director. August 15, 2011.

