AHF ASSOCIATION FOR HEALTHCARE FOODSERVICE

ASKING THE HARD QUESTIONS:
ABOUT OUTSOURCING FOODSERVICE

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AHF SELF-OPERATED PROJECT TEAM

Introduction

When a hospital, long term care or assisted living community, or healthcare system considers outsourcing, they are looking for a successful and reputable firm (or vendor). The desire is to partner with a firm that provides:

- » Value, cost savings, efficiencies, and economies of scale
- » Access to capital resources and innovation
- » Subject matter expertise and technical support
- » Access to talent from outside the immediate area
- » Guaranteed regulatory compliance and accountability
- » Improved patient, resident, and staff satisfaction, and reduced turnover
- » Analytics and evidence-based decision making
- » Improved outcomes and less problems for administration to deal with

That said: When word gets out that a hospital, retirement community, or healthcare system is considering outsourcing, the sales force at contract management companies get very excited. At first, they see: ***Opportunity***. If the operation or system is large enough, then they imagine a ***Profit Engine***. It is only when the client organization negotiates a comprehensive contract, with objective and measurable deliverables, provides dedicated contract oversight, and insists on transparent metrics and documentation, only then does the outsource provider begin to see the client as a credible ***Business Partner***. Getting to this stage begins with: **Asking the Hard Questions.**

Hard Question #1

Given all that is promised to outsource healthcare foodservice, how does the contract provider find margins to make a worthwhile profit as compared to the self-operator?

» Lower food and labor costs?

» Improve patient and resident satisfaction?

» Improve staff retention, satisfaction, diversity, and engagement?

» Improve quality as measured by mutually agreed upon Key Performance Indicators (KPIs)?

» Deliver increased value over the length of the contract?

» Invest in staff training and development?

» Invest in capital and department infrastructure?

» Support local business and the client's sustainability efforts?

Hard Question #2

New management staff will report to both the client and the contract provider. How are the managers incentivized to work as hard for the client, as they are for the contract provider?

» What are the onsite management incentives for increasing corporate profit?

» What are incentives or bonuses available to managers to achieve client strategic initiatives?

» What are the incentives for supporting the core values, mission, and vision of the client?

» How are managers trained to mitigate conflict between client and contractor?

» Are there mutually agreed upon penalties for non-performance, or failure to achieve goals and deliverables?

» Is there a plan in place for replacing managers who fail to meet the needs of the client?

Hard Question #3

How will the contract company enhance and support the strategic initiatives of the organization:

» How will patient and resident satisfaction be improved?

» How will improvements be measured?

» How will cost effectiveness and efficiency be improved in the Food and Nutrition Services (FANS) department?

» What continuous improvement or quality management (CQI) efforts will be initiated to improve public perception of the client organization?

» What health and wellness initiatives will be implemented to improve the health of our workforce?

» How will the clinical nutrition services program improve the health of our patient population?

Hard Question #4

Contract providers claim they can reduce costs and overhead. Many times the client (host organization) is requested to change its' policies and business model. With that in mind:

» How will overhead be reduced? (What is considered overhead?)

» How is savings increased to the client year over year?

» What fees are charged for brokering transactions for the client?

» How is the pricing structure or markup determined for retail including the cafeteria and other retail outlets (e.g., gift shop, coffee, C-store)?

» What percent or dollar amount is charged for each product and service?

» Are there additional charges for floor stock, nutritional supplements, and tube feedings? If so, how is this handled?

» How are charges and/or revenue for catering services, office coffee supplies and vending handled?

» How are cost efficient programs built that support the goals, mission, and vision of the organization?

Hard Question #5

Your firm provides many services to the FANS Department that the host organization already provides to every other department and service. How do you mitigate those redundancies, so that we are not paying twice for the same benefit? For example:

» Regarding our Group Purchasing Organization (GPO) participation: What will be lost in GPO fees and rebate dollars?

» What will be saved in systems: POS, purchasing, production, inventory, and diet office?

» What will be saved in human resource expenses for recruiting, background checks, and physical exams?

» What will be saved in liability insurance, workman's compensation, on the job (OTJ) injury treatment and therapy?

» What will be saved in accounting if you: process invoices, payroll, benefits, and cash handling?

Hard Question #6

How will the contractor and client relationship develop over the length of the contract?

» Does the contract call for automatic escalation over the duration of the agreement? Annually? If so, is this escalation annual and is it in dollars or percentage increments? Are there KPI guarantees and penalties for non-performance? How is this calculated?

» Are KPIs in the contract and jointly monitored through a mutually agreed upon process?

» Are increased revenues shared in areas such as: retail, vending, catering, etc.

» How will new budgets be developed?

» What is the exit strategy for when the contract ends? Include all of the following:

1. Who owns the information systems technology and historical data base?
2. How is the workforce re-employed if they work for the contractor?
3. Who owns the capital, food, nonfood supplies, and small wares in FANS?
4. Who is responsible for remaining management accrued time off and other similar benefits when a contract ends?

Hard Question #7

How do you feel about giving away control of your foodservice budget and operations? When you hand control to an outside organization, how will you know the following:

» How your numbers compare other similar sized organizations. Are you competitive?

» Does the contractor have the same high standards for hiring and training personnel?

» Will the contractor be a good corporate citizen and partner in the community?

» What regrets do others in your position have for choosing this outsource partner?

AHF members and staff are continuously on the fore-front of operations during unique events and in normal operational times. We are committed to revisiting the suggestions and predictions in the near future to see how our industry has adapted. We would welcome any new ideas or thoughts as we move into the 'next' normal of operations.

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AHF is the premier national association representing the self-operated foodservice industry in healthcare, senior dining, and related industries.

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