

Healthcare Segment Deep Dive

A growing and evolving market perfectly describes healthcare foodservice, which is composed of hospitals, long-term care facilities (aka nursing homes) and senior living. With hospitals and senior living, in particular, expected to grow by 2.0% and 2.1%, respectively, food manufacturers have ample opportunity to sell to this market.

In hospitals, healthful food trends and some form of on-demand patient dining are major drivers. For seniors, foodservice has become more of a selling point for living options such as continuing care retirement communities, in terms of both quality and promoting wellness. Even long-term care is seeing more flexible dining options afforded to residents (no longer called ‘patients’) and more health/treatment-based meal plans.

But each sub-market also faces challenges. Mergers and consolidation are reducing the number of hospitals, delayed retirement and the threat of government regulations challenge senior living facilities, insurance reimbursement rates hamstring long-term care, and all three areas face challenges stemming from a lack of labor.

James McGrody, director of culinary services at UNC Rex Healthcare, Raleigh, NC, and Amanda Goldman, R.D., system director of quality and wellness for the Catholic Health Initiatives Food and Nutrition Program, painted a picture of the current state of healthcare foodservice. Here are the key takeaways:

Healthcare Segment Metrics

Operator Spend: (\$B)	\$15.00
Growth Rate: (real)	1.80%
Number of Units:	81,089
Chain (%) or Contract Managed (%):	60%
Avg Operator:	\$184,511

Source: IFMA Operator Landscape Portal

Chefs Are Driving the Bus

McGrody said that there are more chefs managing healthcare foodservice programs than ever before. He cited many hospitals’ move to room service, with its promise of restaurant-style menus and food, prepared to order, as a major reason for this. On the retail side—and retail now comprises the major revenue source in most hospitals—branded concepts and even waitservice restaurants are becoming commonplace.

Goldman noted that chefs help healthcare follow the trends that are occurring in restaurants: globally inspired menus, healthier and more plant-based meals, locally sourced and sustainable ingredients, and more GMO-free products and gluten-free meals. She added that chefs and dietitians, once adversaries, are now collaborators in making foods healthy and delicious.

HOSPITAL JOB TITLE	
Foodservice Director	39%
General Manager	19%
F&B Manager	16%
Executive Chef	7%
Director of Dining Services	7%
Procurement Manager	1%
Owner	0%
Purchasing Manager	0%
Other	12%

LTC JOB TITLE	
Foodservice Director	40%
Director of Dining Services	27%
General Manager	8%
F&B Manager	6%
Executive Chef	4%
Purchasing Manager	2%
Owner	0%
Procurement Manager	0%
Other	13%

SL JOB TITLE	
Director of Dining Services	39%
Foodservice Director	23%
Executive Chef	14%
General Manager	11%
Owner	2%
F&B Manager	2%
Purchasing Manager	2%
Procurement Manager	0%
Other	7%

Source: Datassential 2019 PULSE Market Overview

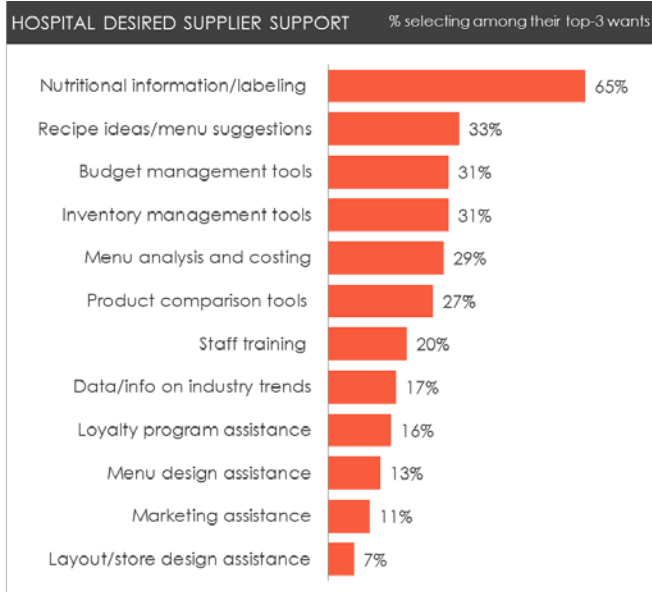
Prepared Foods a Valuable Commodity

Even though chefs and scratch cooking are important elements of healthcare foodservice, there is still a vital need for prepared foods in the market. McGrody pointed out various reasons: labor shortages, the relatively low skill set of kitchen workers in long-term care facilities and, in some cases, volume. Surprisingly, McGrody mentioned pre-cooked bacon as one such item.

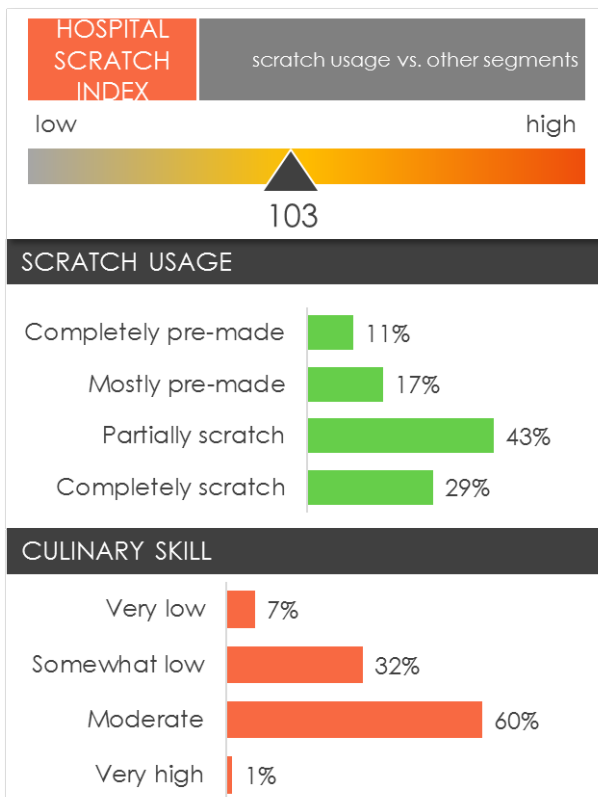
“Bacon in hospitals is huge,” he said. It’s our most popular breakfast item, so we need a way to prepare as much as we can, fast. Manufacturers can help us with solution like this, more speed-scratch items.”

He added that the need for prepared items is particularly acute in long-term care, “where our challenge is to serve really good food with very thin margins.” Reimbursement levels from Medicare and Medicaid are low, and in tough financial times, labor is the first thing cut from foodservice departments.

“Also, in long-term care, there is not as much menu variety,” said Goldman. “It’s more mundane and they can’t take as many chances with altering the menu.”



Source: Datassential 2019 PULSE Market Overview

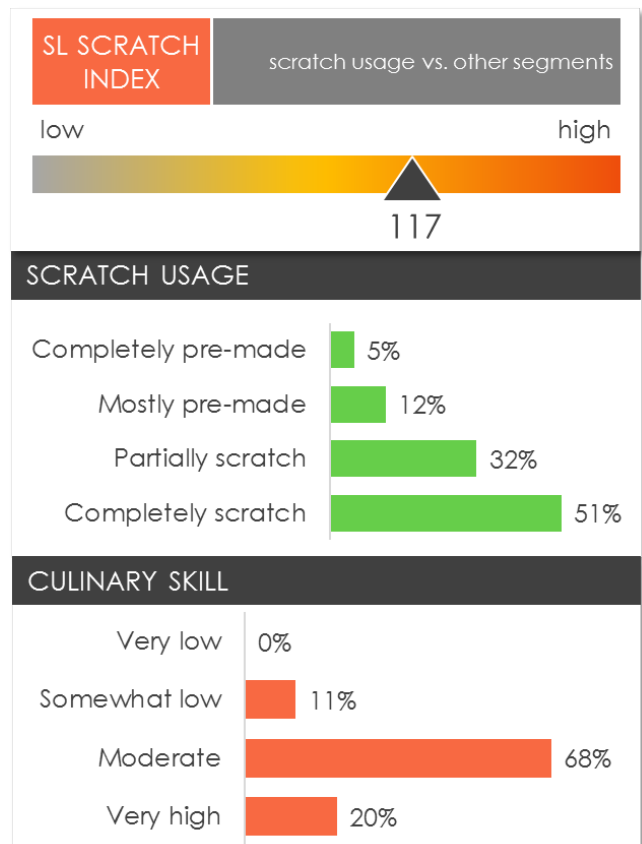
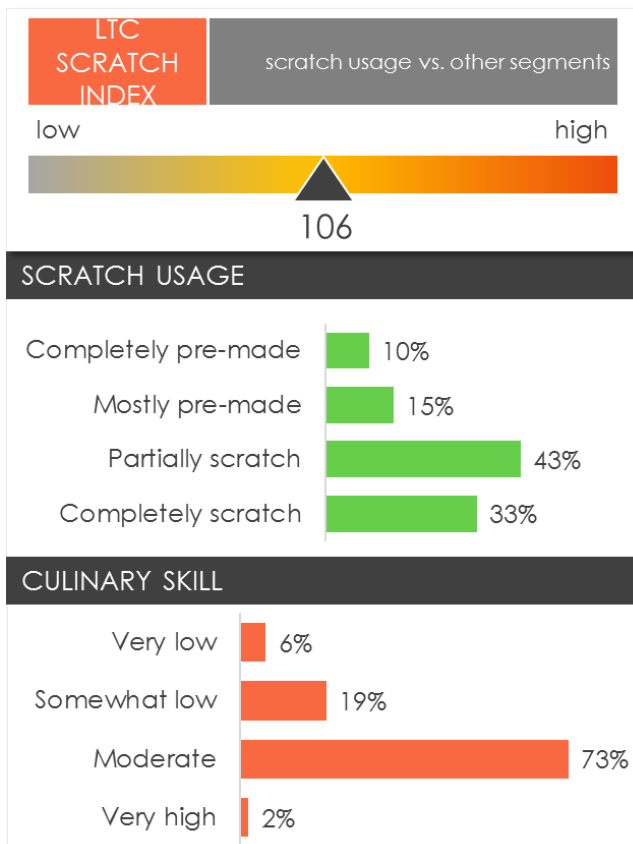
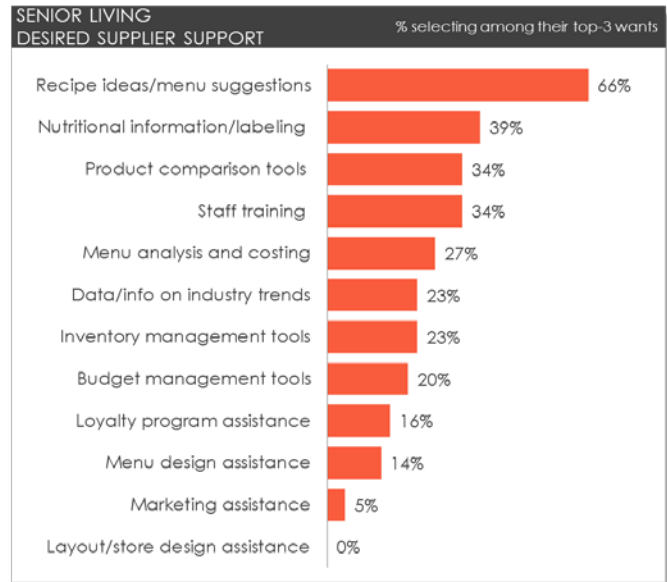
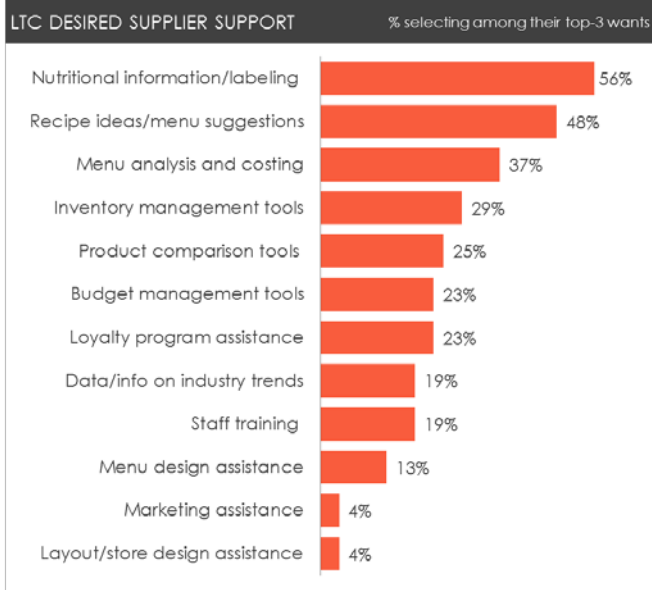


Source: Datassential 2019 PULSE Market Overview

Collaboration is Key

“Be a partner,” McGrody said. “Don’t just sell us things. Share some of your knowledge, your R & D.” Goldman added that helping to provide continuing education can also be valuable. She emphasized two areas of concern to operators: food safety and infection control.

Goldman also stressed the value dietitians can bring to manufacturers: “When you develop healthier items, more plant-forward items, get dietitians involved. They can be your biggest advocates.” She also urged manufacturers to become involved with group purchasing organizations—“advisory boards are a great opportunity to get in front of decision-makers”—and to attend conferences such as those held by the Association of Healthcare Foodservice and the Academy of Nutrition and Dietetics.



Source: Datassential 2019 PULSE Market Overview

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