Long Term Care and Senior Living

Foodservice Market Overview

Healthcare Foodservice Sales 2018

Senior Living $8.4B
Nursing Homes $7.8B
Senior Living
Split between Assisted Living and CCRCs

2016 Total Industry = $63B*

- Assisted Living $31B (51%)
- Continuous Care Retirement Centers $32B (49%)

*Projected
Source: IBIS World

Long Term Care
Beds and units have remained relatively steady since 2010

Nursing Homes
Certified Facilities/Units*

- 2000: 16,600
- 2005: 16,655
- 2010: 15,986
- 2015: 15,682
- 2016**: 15,625

Certified Beds (000)**

- 2000: 1,795
- 2005: 1,679
- 2010: 1,666
- 2015: 1,663
- 2016**: 1,662

*Source: Foodservice Director 2017 Long-Term Care/Senior Living Census:
Beds and units have remained relatively steady since 2010
**Latest data available
Source: US Department of Census; American Healthcare Association; Technomic estimates, IBIS World

Average Unit Purchasing

Average Facility Annual Purchases (000s)

- Long-Term Care: $337
- Senior Living: $229

Average Facility Purchases by Category & Segment (000s)

<table>
<thead>
<tr>
<th>Category</th>
<th>Long-Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>$129</td>
<td>$137</td>
</tr>
<tr>
<td>Beverages (All)</td>
<td>$80</td>
<td>$37</td>
</tr>
<tr>
<td>Disposable Packaging</td>
<td>$39</td>
<td>$17</td>
</tr>
<tr>
<td>Other Nonfoods*</td>
<td>$87</td>
<td>$38</td>
</tr>
<tr>
<td>Total Purchases</td>
<td>$377</td>
<td>$229</td>
</tr>
</tbody>
</table>
Distribution Factors

Facilities are using multiple food or equipment distributors to service their operations.

Average Percent Share of Total Purchases

- Broadline foodservice distributor: 28%
- Dairy or dairy distributor: 14%
- Produce specialty distributor: 13%
- Other product specialty distributor: 12%
- Meat specialty distributor: 11%
- Club store/cash-and-carry: 10%
- Online third party: 10%
- Other source: 3%

Key Finding

Healthcare is one of the fastest growing areas in the foodservice industry.

Healthcare Foodservice Growth

Forecasted Growth

- Looking forward, healthcare will continue to outpace overall foodservice growth.
  - Aging population
  - More outpatient
- Senior Living will continue to grow at the expense of Long Term Care.

Nominal Growth CAGR 2018-2023

- Total Healthcare: 4.2%
- Hospitals: 3.6%
- Long Term Care: 2.8%
- Senior Living: 6.2%

5 year CAGR (2013-2018)
Key Finding

Competition for patients and residents is on the rise.

Population Aged 65+ for the United States: 2012 to 2050
In Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2018</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45.1</td>
<td>8.2</td>
<td>72.8</td>
<td>79.7</td>
<td>83.7</td>
<td></td>
</tr>
</tbody>
</table>

Key Finding

Senior Living vs. LTC foodservice

<table>
<thead>
<tr>
<th></th>
<th>Long-Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of Foodservice</td>
<td>Primarily nutrition</td>
<td>Recruitment, engagement, satisfaction &amp; nutrition</td>
</tr>
<tr>
<td>Health</td>
<td>Focused on traditional dietary definitions (e.g., diabetic, low in sugar, etc.)</td>
<td>Traditional dietary and new better-for-you definitions (e.g., fresh, wholesome)</td>
</tr>
<tr>
<td>Service Options</td>
<td>Mostly traditional patient feeding; cafeteria</td>
<td>Adding coffee bars, private dining clubs, catering, on-the-go convenience</td>
</tr>
</tbody>
</table>

Foodservice Systems Offered

<table>
<thead>
<tr>
<th>Service Offered</th>
<th>Senior Living</th>
<th>Long-Term Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient tray service</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Patient/resident room service</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>Cash-operating cafeteria</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Dining room with waitstaff</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Food or beverage cart/kiosk (has own cash register)</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Snack carts, snack stations (no cash register)</td>
<td>39%</td>
<td>38%</td>
</tr>
<tr>
<td>Catering service - internal facility</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Vending</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Non-cash cafeteria (resident, patient, etc.)</td>
<td>30%</td>
<td>31%</td>
</tr>
<tr>
<td>Meals-on-wheels program</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Convenience store or snack market</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Limited-service restaurants (separate from cafeteria)</td>
<td>25%</td>
<td>23%</td>
</tr>
<tr>
<td>Catering service – external, outside of the facility</td>
<td>23%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Percent Offering
Senior Living Trend in Action

Taking a Cue from Commercial

- Choice of venues on site to offer variety, including multiple dining rooms, coffee/snack bars, etc.
- Each has its own personality, ambiance, uniform, serverware, and menu to feel like a totally different experience.

The Garlands Senior Living
Barrington, IL

Enhancing Guest Experience by Emulating Retail

Key Finding

While patient and resident satisfaction remain critical, budgetary/financial concerns are growing

Operator’s Mission

Improving Patient Outcomes Tops For Senior Living and Long Term Care

<table>
<thead>
<tr>
<th>Percent Indicating Most Critical Mission* by Segment</th>
<th>Long-Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve outcome</td>
<td>41%</td>
<td>38%</td>
</tr>
<tr>
<td>Elevate/improve experience</td>
<td>22%</td>
<td>30%</td>
</tr>
<tr>
<td>Lower costs</td>
<td>23%</td>
<td>15%</td>
</tr>
<tr>
<td>Generate revenue</td>
<td>15%</td>
<td>17%</td>
</tr>
</tbody>
</table>

*Score: 1 is most important, 4 is least important.
Scores 1-3 in order of importance relative to your foodservice department business objectives.

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Operator's Most Critical Mission*

Fiscal concerns gaining ground, and beginning to eat away at more patient-centric concerns

<table>
<thead>
<tr>
<th>Objective</th>
<th>Long Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve patient/resident/guest outcomes through nutrition</td>
<td>41%</td>
<td>33%</td>
</tr>
<tr>
<td>Elevate and improve patient/resident/guest satisfaction</td>
<td>22%</td>
<td>54%</td>
</tr>
<tr>
<td>Operate at lower cost</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>Generate revenue</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Base: 300 (All respondents)  
1. For the four items below, please rank them in order of importance relative to your foodservice department's business objectives. 
*Operators ranking as “1” of 4

High Pressure

Operators feeling pressure to achieve all missions

<table>
<thead>
<tr>
<th>Objective</th>
<th>Long Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elevate and improve patient/resident/guest experience and satisfaction</td>
<td>62%</td>
<td>58%</td>
</tr>
<tr>
<td>Improve patient/resident/guest outcomes through nutrition</td>
<td>59%</td>
<td>53%</td>
</tr>
<tr>
<td>Operate at lower cost</td>
<td>56%</td>
<td>55%</td>
</tr>
<tr>
<td>Generate revenue</td>
<td>46%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Increase in Pressure on Foodservice Operation Related to Objective

FSMs are slowly increasing penetration as organizations look for efficiencies
Key Finding

Labor is a constant struggle for healthcare operators

“We hire a lot of people who may have some background in the foodservice business, but they are not really educated on the fundamentals. It’s a constant challenge for us to teach.” – Senior Living

Top Operator Concerns

Labor issues are increasing in long term care, while financial concerns increasingly weigh on senior living

<table>
<thead>
<tr>
<th>Factor</th>
<th>Long-Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising food costs</td>
<td>71%</td>
<td>65%</td>
</tr>
<tr>
<td>Managing food costs</td>
<td>64%</td>
<td>58%</td>
</tr>
<tr>
<td>Shrinking budgets</td>
<td>65%</td>
<td>58%</td>
</tr>
<tr>
<td>Recruiting qualified labor</td>
<td>69%</td>
<td>57%</td>
</tr>
<tr>
<td>Retaining qualified labor</td>
<td>65%</td>
<td>59%</td>
</tr>
<tr>
<td>Rising labor costs</td>
<td>69%</td>
<td>59%</td>
</tr>
<tr>
<td>Improving product yield</td>
<td>60%</td>
<td>58%</td>
</tr>
<tr>
<td>Cost of healthcare legislation</td>
<td>61%</td>
<td>60%</td>
</tr>
<tr>
<td>More government regulation (local, state, national)</td>
<td>59%</td>
<td>59%</td>
</tr>
<tr>
<td>Finding new revenue streams</td>
<td>57%</td>
<td>55%</td>
</tr>
<tr>
<td>Increasing cash operations revenues</td>
<td>59%</td>
<td>51%</td>
</tr>
<tr>
<td>Maintaining food safety</td>
<td>71%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Top Operator Concerns

Greater concern over motivating healthy eating

<table>
<thead>
<tr>
<th>Factor</th>
<th>Long-Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfying patients/residents</td>
<td>70%</td>
<td>67%</td>
</tr>
<tr>
<td>Motivating healthier eating by patients/residents/guests</td>
<td>66%</td>
<td>63%</td>
</tr>
<tr>
<td>Keeping up with menu trends</td>
<td>61%</td>
<td>50%</td>
</tr>
<tr>
<td>Need to upgrade foodservice facility</td>
<td>66%</td>
<td>53%</td>
</tr>
<tr>
<td>Motivating healthy eating by facility staff/employees</td>
<td>53%</td>
<td>51%</td>
</tr>
<tr>
<td>Incorporating and maintaining appropriate sustainability efforts</td>
<td>61%</td>
<td>N/A</td>
</tr>
<tr>
<td>Menuing good-tasting, healthier foods</td>
<td>64%</td>
<td>62%</td>
</tr>
<tr>
<td>Improving presentation/appearance of food</td>
<td>61%</td>
<td>51%</td>
</tr>
</tbody>
</table>
Cooking Demonstrations to Recruit, Highlight Foodservice Program

**StoryPoint Senior Living**
Midwest
Chiefs competed (and medaled!) in the American Culinary Competition in Michigan

**Reston Town Center Senior Living**
Reston, Va.
Live cooking demos during an annual culinary competition

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**Cafe 640 at Regions Hospital**
St. Paul, Minn.
Bringing the outside in! Used back-lit photos to create the appearance of sunlight in a facility with no outside-facing windows.

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**Laurel View Village**
Davidsville, Pa.
Laurel View Village’s Village Table is a reinterpretation of the chef’s table.
**Trend in Action**
Enhancing Food Quality via Culinary Training

**Brookdale Senior Living**
Headquartered in Brentwood, TN

Professional development program integrates hands-on training and classroom instruction to impart new food preparation skills and cutting-edge techniques.

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**Key Finding**
Senior living facilities are looking to upgrade offerings

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**Top Current Initiatives**
Senior Living
- All-day snacking: 61%
- Use of fully prepared items on the menu: 50%
- Made-to-order food options: 52%
- Made-from-scratch menu offerings: 51%
- Offering on-the-go options: 49%
- Use of speed-scratch items: 50%
- On-demand room service: 49%

*We are doing this today*
### Top Future Initiatives

**Senior Living**

- Authentic ethnic offerings
- Tablet ordering
- Delivery

#### Likelihood to Implement Initiative

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Likely Today</th>
<th>Likely Next 12-18 Months</th>
<th>Likely Next Few Years</th>
<th>Not Likely to Implement in Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authentic ethnic offerings</td>
<td>42%</td>
<td>28%</td>
<td>18%</td>
<td>12%</td>
</tr>
<tr>
<td>Tablet ordering for patient/resident feeding</td>
<td>43%</td>
<td>28%</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>Delivery service</td>
<td>35%</td>
<td>26%</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>On-demand room service</td>
<td>40%</td>
<td>25%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Outsourcing some food prep to commissaries</td>
<td>31%</td>
<td>25%</td>
<td>19%</td>
<td>27%</td>
</tr>
<tr>
<td>Leasing foodservice space to outside foodservice operators</td>
<td>30%</td>
<td>18%</td>
<td>33%</td>
<td>21%</td>
</tr>
</tbody>
</table>

#### Source: Foodservice Director May 2017

### Trend in Action

#### Technology/Tablet Ordering

**Bentley Village (Senior Living)**

Naples, Fla

At Azure formal dining room, servers use tablets to take orders, which are transmitted to back-of-house monitors.

#### Source: Foodservice Director May 2017

### Trend in Action

#### Innovative Takeout

**Eskenazi Health Hospital System**

Indianapolis

Pre-made family meals for staff

**Menno Haven Retirement Community**

Chambersburg, Pa.

About Thyme Bistro offers staff and residents grab and go smoothies, salads, sandwiches.
Key Finding

Long Term Care facilities are looking to improve outcomes and satisfaction with choice, on-demand ordering,

Top Current Initiatives

Long Term Care

- All-day snacking
- Made-to-order
- Made-from-scratch

Implementing Initiative

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>All day snack availability</td>
<td>52%</td>
</tr>
<tr>
<td>Made-to-order food options</td>
<td>51%</td>
</tr>
<tr>
<td>Made-from-scratch menu offerings</td>
<td>51%</td>
</tr>
<tr>
<td>Use of speed-scratch items</td>
<td>47%</td>
</tr>
<tr>
<td>Authentic ethnic</td>
<td>47%</td>
</tr>
<tr>
<td>Use of fully prepared items on the menu</td>
<td>46%</td>
</tr>
</tbody>
</table>

Top Future Initiatives

Long Term Care

- On-demand room service
- Tablet ordering
- Made-from-scratch

Likelihood to Implement Initiative

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-demand room service</td>
<td>43%</td>
</tr>
<tr>
<td>Tablet ordering for patient/resident feeding</td>
<td>39%</td>
</tr>
<tr>
<td>Made-from-scratch menu offerings</td>
<td>51%</td>
</tr>
<tr>
<td>Authentic ethnic</td>
<td>47%</td>
</tr>
<tr>
<td>Leasing foodservice space to outside foodservice operators</td>
<td>37%</td>
</tr>
<tr>
<td>Offering on-the-go</td>
<td>44%</td>
</tr>
</tbody>
</table>

We are doing this today
We plan to start in the next 12-18 months
We are considering implementing in the next few years
We are not doing this and are not likely to do this in the future
The decline is likely driven in part by the increase in menu cycles offering variety, an increase in made-to-order, à la carte items, and the need to reign in costs.

Despite a decline, the majority of healthcare operations still use menu cycles. The trend may continue through the elderly population grows and foodservice budgets become further constrained.

Menu Rotation & Frequency

Menu cycles on decline from 2015

The decline is likely driven in part by the increase in menu cycles offering variety, an increase in made-to-order, à la carte items, and the need to reign in costs. Despite a decline, the majority of healthcare operations still use menu cycles. The trend may continue through the elderly population grows and foodservice budgets become further constrained.

Percentage of Operators on Menu Cycle

<table>
<thead>
<tr>
<th>Cycle Frequency</th>
<th>Long-Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>Once a month</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>Three weeks</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Four weeks</td>
<td>26%</td>
<td>10%</td>
</tr>
<tr>
<td>Five weeks</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Six weeks or more</td>
<td>8%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Meal Planning by Segment

All types of healthcare operators look to add variety, but show willingness to switch to products that offer cost saving opportunities.

Top 2 Box Agreement by Segment

- We are always looking for new food and beverage products to add variety to our menus: 81% (Long-Term Care), 79% (Senior Living)
- We are always looking for new recipes and menu ideas to add variety to our menus: 83% (Long-Term Care), 81% (Senior Living)
- We are always looking for new food and beverage products that can lower our food costs: 79% (Long-Term Care), 76% (Senior Living)
- We are always looking for lower-cost versions of the products we buy: 76% (Long-Term Care), 76% (Senior Living)
- We rarely change the food and beverage products we purchase or use: 51% (Long-Term Care), 56% (Senior Living)

Ethnic Cuisine Needs

Authenticity is now the norm.

Top 10 Ethnic Cuisine Needs

- Pico de Gallo
- Jerk
- Tzatziki
- Ponzu
- Tahini
- Aioli
- Tomato Cream
- Chutney
- Sriracha
- Chimichurri

Key Finding

Offering made-to-order options is becoming increasingly important.
Menu Development Drivers

“Feel Good” claims are important

- At Long Term Care:
  - Whole grains
  - Smaller food portions
  - Made to order

- Senior Living:
  - Whole Grains
  - Sustainability
  - Exhibition cooking

Better-for-You Foods and Sustainable Characteristic Importance (Top 2 Boxes)

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Long Term Care</th>
<th>Senior Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole grains</td>
<td>75%</td>
<td>67%</td>
</tr>
<tr>
<td>Made-to-order foods</td>
<td>68%</td>
<td>59%</td>
</tr>
<tr>
<td>Smaller food portions</td>
<td>72%</td>
<td>82%</td>
</tr>
<tr>
<td>All natural</td>
<td>69%</td>
<td>76%</td>
</tr>
<tr>
<td>Exhibition cooking/prep stations</td>
<td>65%</td>
<td>79%</td>
</tr>
<tr>
<td>Clean label</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Sustainable</td>
<td>61%</td>
<td>66%</td>
</tr>
<tr>
<td>Waste reduction</td>
<td>60%</td>
<td>59%</td>
</tr>
<tr>
<td>Locally sourced/produced</td>
<td>62%</td>
<td>56%</td>
</tr>
<tr>
<td>Antibiotic-free</td>
<td>60%</td>
<td>54%</td>
</tr>
<tr>
<td>Authentic ethnic flavors</td>
<td>62%</td>
<td>56%</td>
</tr>
<tr>
<td>Hormone-free</td>
<td>67%</td>
<td>63%</td>
</tr>
<tr>
<td>“Green” packaging</td>
<td>69%</td>
<td>62%</td>
</tr>
<tr>
<td>Organic</td>
<td>58%</td>
<td>56%</td>
</tr>
<tr>
<td>Animal welfare</td>
<td>69%</td>
<td>63%</td>
</tr>
<tr>
<td>Waste composting</td>
<td>73%</td>
<td>69%</td>
</tr>
</tbody>
</table>

Trend in Action

Smaller Portions

Benchmark Senior Living
Headquartered in Waltham, MA

“I see…people who went through tough times with limited food, and they get upset if there’s too much food on a plate.”

-Senior Living

Effect of Labels on Perceived Healthfulness
Operator Perceptions

- Senior Living:
  - Reduced Sugar
  - Reduced sodium
  - Whole grain

- Long Term Care:
  - Reduced Sodium
  - No Trans-Fat
  - Reduced Fat
The Consumer “Health” Definition is Evolving

**Fresh is the New Healthy**

Yesterday
- Low calorie
- Low fat
- Low saturated fat
- Not good tasting
- Denial (What you can’t have)

Today
- Natural
- Made-to-order
- Wholesome
- Better-for-me
- “Clean”
- Protein
- Moderation
- Fresh

---

The Foodservice Healthy-Tasty Spectrum

Items in the “sweet spot” deliver perception of better health and taste

---

Menu Trend in Action

Example from the Hospital Segment

Incorporate Health with Flavor

**Cooley Dickinson Health Care**
Northampton, MA
- Replaced ground beef with meat & mushroom blend

**Palomar Health**
Escondido, CA
- Veggie burger made with quinoa and black beans

Guest Satisfaction, Improve Patient Outcomes
California state Sen. Nancy Skinner has introduced a bill that would require institutions such as prisons, hospitals and nursing homes to offer plant-based meals. Making vegan meal options available to prisoners and patients would be beneficial to their health and help reduce greenhouse gases.

The medical center’s rooftop garden produced 15,000 pounds of fresh produce this season.

The Whole Story

Healthcare foodservice is fundamentally changing.

Future success in healthcare depends on a combination of factors: Overcoming operational challenges to effectively adapt commercial/consumer trends and positively impact patient outcomes.

Recommendations

1. Understand heightened consumer expectations
2. Think, act like a commercial restaurant as a means to compete and a path to patient satisfaction
3. Labor will continue to challenge. Don’t wait to develop solutions
CE Credit Availability

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Thank you!

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