



Contracting Tips for Purchasing Meals As of July 7, 2020

Senior nutrition programs with congregate meal sites and home delivered meal programs may source meals through a foodservice distributor, group purchasing organization (GPO), consortium or solicit contracted pricing themselves. Contracting can occur as part of normal operations, or may arise due to an emergency.

- A **Foodservice Distributor** is a company that provides food and non-food products to foodservice establishments such as restaurants, senior nutrition programs, employee cafeterias, schools, industrial caterers and healthcare. Foodservice distributors can provide information on the availability of meals in the marketplace.
- A **Group Purchasing Organization (GPO)** is an entity that helps healthcare providers realize savings and efficiencies by aggregating and leveraging purchasing volume to negotiate discounts with manufacturers, distributors and other vendors.
- A **Purchasing Consortium** is a collaborative arrangement in which two or more organizations join together to combine their individual requirements for goods, works or services to gain better prices, design and supply availability compared to if each member purchased the goods or services alone.

This document outlines the recommended process when sourcing meals. Some of the steps listed below may need to be shortened and procurement requirements waived during an emergency. Regardless, negotiating the best price for the highest quality meal is the goal. Consider the following steps when sourcing meals.

1. Know your clientele.

Understand the food preferences of your client base. Food preference surveys, focus group discussions, and general satisfaction surveys can provide insight to cultural and ethnic food preferences along with the dietary restrictions of your clients. Consider client groups you are not currently attracting but want to reach. Source meals that you feel are most likely to be acceptable, and once offered to your clients, adjust to maintain favorites and correct issues related to poorly accepted food. Monitor plate waste (food served to clients but not eaten) to validate client preferences. Meals provide nourishment only when they are consumed. The trash can content after a meal is also a good indicator of meal acceptability.

2. Understand the type and quantity needed.

First, review your local, state and Area Agency on Aging (AAA) policies and procedures as there may be specific quantities or types of meals that are required.

Avoid possible shortages by providing suppliers with the number of meals required and the desired delivery date. Determine the number needed each day as well as the frequency and method of delivery. Consider whether the meals will be shipped to a central location and distributed by your organization's staff and volunteers, go directly to several meal sites or be sent directly from the



supplier to the client's home. If a large number of meals are to be delivered to a client's home at the same time, the weight of the package and the ability of the client to lift and store the food properly, especially those with disabilities and activities of daily living (ADL) impairments should be considered.

If contracting meals for emergencies, please note that: the [American Red Cross Disaster Preparedness](#) guide states a two-week food supply should be maintained at home during emergencies. Meals that do not require heating are preferred for a short period during natural disasters where electricity may be lost.

If your quantity is not large enough for an independent bid, consider a GPO or consortium to leverage buying power. GPOs negotiate terms of the contract, conditions and pricing with food manufacturers and foodservice distributors in favor of the customer. For example, the minimum dollar amount purchased under a GPO contract may be lower than if purchased independently. As long as a customer meets the minimum order (\$350), the foodservice distributor will deliver the product to the customer's location. Ask your foodservice distributor for recommendations on available GPOs in your area.

"Big box" stores or online ordering can also be an option should a GPO or consortium not be feasible or appropriate. A "big box" store is considered a physically large retail establishment, usually part of a chain of stores. Price negotiation is generally not an option with this type of procurement.

Catering companies can also source meals. If you contract with a caterer for your food and meals, consider asking them to source the meals for you using their purchasing power. They may be able to secure a more competitive price. In this case, it is advisable to review the added fees the caterer may add for product handling. Bid out meals with existing caterers separately.

Another option could be that the State Units on Aging (SUA) may negotiate contracts on the state level allowing for individual AAAs or local nutrition service providers to make purchases on a local level. While the Older Americans Act (OAA) funding is allocated through the approved Intrastate Funding Formula, the SUA may also procure items on a statewide level and permit AAAs the option of purchasing through the SUA's procurement. SUAs may not require AAAs or local nutrition service providers to purchase meals from a state contract but can permit AAAs the option of whether or not to receive these items.

3. Define nutritional requirements for the meals.

The [Nutrition Requirements of the Older Americans Act \(OAA\)](#) state that all meals served using OAA funds adhere to the current [Dietary Guidelines for Americans](#) (DGAs), provide a minimum of one-third of the [Dietary Reference Intakes](#) (DRIs), meet state and local food safety and sanitation requirements, and be appealing to older adults. Attention to nutrient content (ex. protein, sodium, added sugar, etc.) is important to manage underlying conditions such as diabetes, hypertension and heart disease.



4. Prepare meal specifications.

A [specification](#) is a concise description of the quality, size, weight, count, and other quality factors desired for a particular food or non-food products. Specifications establish the identity of meals purchased (i.e. uniform name) and allow meals to be purchased from different suppliers based on specifications only (i.e., uniform meal content). This allows products to be compared by price. Descriptions should include quality, size, weight, count, nutrition and other quality factors. Determine whether the caterer or local nutrition service provider will write the meal menus.

5. Research possible vendors.

Use the internet to research and learn. Search for [vendors](#) and read customer reviews. Consider vendors in your area who are not traditional meal suppliers, including restaurants or catering companies. Reach out to peer organizations for suggested suppliers. Ask detailed questions about the quality of the meals, service levels, deliveries, etc.

6. Issue a Request for Proposal (RFP).

If required, prepare a formal RFP and issue through your organization's usual procurement processes. Consider requesting the following information from each supplier:

- Virtual tour or photos of the vendor's manufacturing facility, distribution center and delivery vehicles.
- Food safety and quality assurance documentation including Hazard Analysis Critical Control Point (HACCP) process.
- Credit back, or partial credit, if all or part of the meal is unacceptable due to food safety or quality concerns.
- Options for outside storage or access to a refrigerated truck for meal storage.
- List of current customers who can be contacted as references.

7. Evaluate food and meal quality.

Request meal samples and consider an evaluation to measure quality. Evaluate the characteristics of the meals as perceived by the five senses – appearance, aroma, taste, texture and consistency. Look for plate coverage of the food items. Does the food cover a large percentage of the plate and appear wholesome and filling? Require nutrient analysis of each meal. Source the highest quality meals in your price range. Contact the company's references and ask questions about meal quality and client satisfaction.

8. Negotiate Pricing.

Negotiate directly with the vendor and secure a fair and agreeable price for meals. Use the tips below to secure the best price.

- Make the bulk of purchases through one vendor vs. several.
- Leverage order sizes (larger for better pricing), payment terms and number of deliveries per week to keep costs low. For example, purchasing \$5,000 worth of meals one time a week will net a lower price than two separate orders of \$2,500 each.
- Define allowable price increases.
- Indicate clearly any partial or refusal for payments of meals and meal components that arrive late, are inedible or out of temperature compliance.



- Communicate your process for best and final offer.

There are two ways to calculate a contract price. One option is to calculate price based on the meal cost plus a fixed dollar amount per case or order. The other is to calculate based on the meal cost plus a percentage of the cost.

- The cost-plus fixed price is the meal cost plus a flat fee and is generally the recommended approach.
- Cost per percentage is a strategy where the price increases in proportion to the cost. Because an increase in food prices leads to higher vendor prices, the cost-plus percentage method should be avoided. This method could leave you paying a higher price than the fixed price method.

9. Vendor Selection.

Consider the extent to which each potential vendor will be able to meet the quality, service and cost expectation of your foodservice needs using the established procurement process within your organization. This often involves a team of reviewers with a formal scoring process. Continue to monitor meals to ensure the vendor has a long-term commitment to providing safe and quality products.

Establish a good relationship with the supplier. Suppliers want to help their customers. They can also be a great source of information regarding products, recalls and the newest opportunities and trends. The relationship between a program and vendor must be one of mutual cooperation and trust.

10. Prepare a written agreement.

The agreement between supplier and buyer must be documented. Prepare a written agreement such as a contract, memo of understanding or a purchase order (PO) to ensure specifics of the sale. Work with your local or state legal team, procurement specialist or someone with experience in this area. A purchase order is a legally binding document between a supplier and a buyer. Both documents should detail the items the buyer agrees to purchase and the negotiated price. All additional terms of the sale should be included to prevent possible misunderstandings. For example, clauses that might be included in the agreement could be the length of time for the agreement; whether the agreement can be modified and if so the process for modification; the criteria for agreement extension or termination, etc. Two agreements should be signed electronically and kept by both the supplier and buyer.

11. Monitor and Evaluate.

Performance reviews provide an opportunity to establish a successful vendor relationship and to hold the company accountable for their performance. The goals of performance reviews are to monitor compliance of contractually agreed upon criteria. The process should identify areas where the vendor is not performing to expectations and can acknowledge successful service delivery. Performance review monitoring may capture data from scorecards developed from contractually agreed upon expectations and include incident reports, action plans, client satisfaction surveys and prior performance reviews, etc.



Partner with the vendor to resolve low performance by establishing an action plan; include timelines and responsible party to correct any issues identified. Assess performance trends and resolve problematic issues to avoid potential negative impacts. A vendor should be monitored throughout the course of the contract to ensure the terms and conditions are being met (i.e., how the vendor is performing against the criteria established in the vendor’s contract). A best practice is to perform reviews quarterly during the first year of the contract and at least annually thereafter for the term of the contract.

Each performance review should have an evaluation-scoring model that quantifies the performance level. Consider the simple scoring method listed below.

Rating	Score
Not Applicable	0
Does Not Meet Expectations	1
Needs Improvement	2
Meets Expectations	3
Exceeds Expectations	4