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**Subject:** Group Purchasing Services for Food and Related Supplies

**Report to:** Public Health and Social Services Committee

**Report date:** Tuesday, March 19, 2019

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## Recommendations

1. That Complete Purchasing Services Inc. (CPSI) **BE APPROVED** as the single source purchasing agent for group purchasing services for food and related supplies for the dietary programs at the Niagara Region Seniors Services Long-Term Care (LTC) homes for a period of four years; and
2. That the vendors used in conjunction with the Complete Purchasing Services Inc. group purchasing program for food and related supplies for the dietary programs at the Niagara Region Long-Term Care homes **BE APPROVED** as single source vendors.

## Key Facts

- The Ministry of Health and Long-Term Care (MOHLTC) provides \$9.54 per resident per day to provide residents of Long-Term Care homes three meals and snacks daily in accordance with the Canada Food Guide and for each resident's dietary and texture restrictions and preferences.
- Niagara Region's Long-Term Care homes have a long-standing practice of using Complete Purchasing Services Inc., a group purchasing service, to procure food and supplies for dietary services.
- Complete Purchasing Services Inc. has a Canada wide buying power of \$850 million dollars, which enables the Long-Term Care homes to obtain competitive pricing such that meals and snacks can be provided within the available funding level.
- Niagara Region's Procurement Policy By-Law, Section 18 – Single Source Purchases, provides for the recommendation of a single source vendor for the supply of a particular good and / or service when it is more cost effective or beneficial for the Region.
- While this agreement provides Niagara Region Seniors Services preferred pricing for certain suppliers, it does not restrict the Long-Term Care homes from procuring food and food related supplies from other vendors if lower prices are available.

## Financial Considerations

Food and related supplies are purchased within the allocated operating budget at each Regional Long-Term Care Home. The cost of food and related supplies purchased in 2018 through CPSI purchasing service was \$3,501,889.52.

Food purchases exceeding \$9.54 per resident per day create a financial pressure on the tax levy as this is a stand-alone funding envelope from the MOHLTC.

Along with the competitive pricing received from CPSI, Seniors Services receives a 0.5% volume incentive rebate on all purchases from vendors under CPSI.

## **Analysis**

Complete Purchasing Services Inc. has been the endorsed purchasing group of AdvantAge<sup>1</sup> Ontario for over 25 years. Municipal members of AdvantAge Ontario who use CPSI include the City of Hamilton, City of London, City of Ottawa, Region of Peel, County of Simcoe, Region of Waterloo and York Region. CPSI leverages their considerable market presence and negotiates with a range of suppliers, both manufacturers and distributors, to obtain best pricing and value. The company tenders with 400 manufacturers through over 75 distributors to establish national and regional contracts. Products available are specifically suited to a Long-Term Care environment ensuring compliance with the standards and regulations set out by the MOHLTC.

Niagara Region Seniors Services would not have the same purchasing power if it negotiated alone due to volumes purchased. Using the Complete Purchasing Services Inc. negotiated pricing, Seniors Services purchase food services supplies through ten major distributors including: Sysco Southwestern Ontario, GFS Ontario, Agropur Cooperative (Division Natrel), Canada Bread Company Ltd, Flanagan Food Service, HD Supply Canada Inc., FM, Hubert Distributing Company Inc., MIP Inc., PPG Architectural Coating, Thermopatch (Canada) Inc.

The purchasing arrangement has allowed Niagara Region LTC homes to control food costs while maintaining the quality of resident meals.

CPSI provides value-added services in the following areas:

### Risk Management

- All approved food vendors are Hazard Analysis and Critical Control Point (HACCP) or ISO certified.
- Only federally inspected meat suppliers are used.
- There is a stringent re-call system.
- There is a system of distribution inspections and audits.

### Support Tools

- Tools are available to support consistent menus and “shopping lists” across the LTC homes.

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<sup>1</sup> AdvantAge is an association for not-for-profit Long-Term Care homes and services for seniors in Ontario.

- An on-line web-enabled menu management and production program that allows customization of menus to meet resident preferences is available. The program includes LTC specific menus, recipes, therapeutic guidelines and nutrient and costing information.
- An on-line web-enabled ordering and inventory management system is provided.
- Access to education resources is provided.
- Quarterly purchasing reviews are available that provide opportunities for savings by way of recommended alternatives of current purchases that are offered by other suppliers at a lower rate.

#### Access to Local Products

- CPSI offers a variety of products that have been locally sourced. Local is defined as per the Foodland Ontario Guidelines (i.e. products must be 100% born, raised, grown, slaughtered, processed and packaged in Ontario). As an example, Seniors Services purchases many food products through Gordon Food Services (GFS) who supports over 80 growers and producers in Ontario.

### **Alternatives Reviewed**

There are two potential alternatives to using Complete Purchasing Services Inc. that staff reviewed:

#### **Option One**

Niagara Region Seniors Services staff, with the assistance of Procurement staff, could work to obtain similar ranges of suitable vendors and pricing. However staff have noted the following:

**Financial implications:** Competitive pricing would be limited to the extent of the Niagara Region purchasing volume (\$3.5 million) versus the \$850 million purchasing power of a larger purchasing group. Also value-added services provided by CPSI would be expensive to purchase outside of a purchasing group.

**Staffing implications:** Replacing the services of CPSI would require staff to develop terms of reference and standards for contracts, contract administration and management of multiple vendors. These additional activities would be a significant pressure on existing staff resources.

#### **Option Two**

Niagara Region Seniors Services staff, with the assistance of Procurement staff, could issue an RFP to identify other alternate group purchasing options targeting Long-Term Care in the market place.

**Financial Implications:** Complete Purchasing Services Inc. is the highest volume purchasing agent targeting Long-Term Care products and services (e.g. products that

support “home cooking”, specialty products including tube feed options, texture modified diet products etc.). Alternate options in the market place target different aspects of the food and related purchases market (i.e. acute care, hospitality industry). The value-added services provided through the agreement also target those services of highest value to the Long-Term care sector (i.e. risk management, support tools that align with the Long-Term Care Homes Act and the regulations under the Act). Under the current agreement, the agreement fee has been waived for Niagara Region and as such we can access the benefit of volume based pricing and sector specific value-added services at no cost. We can opt out of the Agreement at any time.

**Staffing Implications:** Issuing an RFP for alternate purchasing options would require staff to develop a comprehensive document and complete a detailed process without a clear indication that there are alternate preferable options on the market. If a decision was made to move to a new purchasing agent this change management process would require dedicated staff time and have residential disruption implications. These additional activities would be a significant pressure on existing staff resources in both Community Services and Enterprise Resource Management Services.

### **Relationship to Council Strategic Priorities**

Not applicable (pending development of Council’s new Strategic Priorities).

### **Other Pertinent Reports**

Not applicable.

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