

# Inclusive, Local Sourcing

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Purchasing for  
People and Place

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The *Hospitals Aligned for Healthy Communities* toolkit series

# Inclusive, Local Sourcing

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Part of the *Hospitals Aligned for Healthy Communities* toolkit series

Fall 2016 | David Zuckerman and Katie Parker | The Democracy Collaborative

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## THE DEMOCRACY COLLABORATIVE

The Democracy Collaborative, a nonprofit founded in 2000, is a national leader in equitable, inclusive, and sustainable development. Our work in community wealth building encompasses a range of advisory, research, policy development, and field-building activities aiding on-the-ground practitioners. Our mission is to help shift the prevailing paradigm of economic development, and of the economy as a whole, toward a new system that is place-based, inclusive, collaborative, and ecologically sustainable. A particular focus of our program is assisting universities, hospitals, and other community-rooted institutions to design and implement an anchor mission in which all of the institution's diverse assets are harmonized and leveraged for community impact.

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## How to use this toolkit

The *Hospitals Aligned for Healthy Communities* toolkit series is designed to provide hospital and health system leadership and department managers with the steps to begin to harness their everyday business practices to drive community health and well-being. This toolkit offers a guide for how to leverage procurement to advance inclusive, local economic development for communities experiencing the greatest health and wealth disparities.

The toolkit is divided into two parts. This booklet provides background information on how to leverage your purchasing to drive community health and well-being, and distills lessons learned from leaders in the field. **Case studies** from five institutions provide an in-depth look at how hospitals and health systems are implementing this work on the ground and the key strategies they are employing. The **Strategies** section outlines the specific processes and practices needed to localize and diversify your supply chain, focusing on **Creating Connections** between local, diverse businesses and your institution, and **Building Capacity** of the local business community to meet your supply chain needs. **Laying the Foundations** focuses on institutionalizing these practices, providing worksheets to begin and guide the conversation at your institution. The **Return on Investment** section provides language and metrics to measure for assessing business impact.

To jumpstart your learning, refer to the **Tools for Getting Started** folder, which provides worksheets and handouts for designing an inclusive, local sourcing program. The **Overview** provides a broad look at why inclusive, local sourcing is important. An **Infographic** visualizes how creating connections and building capacity strategies work together. **Diving In** highlights places to get started, identifying quick wins. The **Readiness Checklist** allows you to assess where your institution is at, and what steps you can still take. And worksheets on **Big Questions, Measuring your supply chain baseline, Surveying your supply chain policies and practices, Identifying your partners, Understanding your purchasing pipeline** and **Overcoming Barriers** provide resources for your team to work through critical program design questions.

For an online version of this toolkit, and for further resources, go to:

[www.HospitalToolkits.org/Purchasing](http://www.HospitalToolkits.org/Purchasing)

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# Overview

# Inclusive, local sourcing:

## Purchasing for people and place

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**Across the country, healthcare institutions are recognizing** that they can creatively leverage their supply chains to address the upstream economic and environmental conditions that have the greatest impact on the health of local residents. In doing so, they can create family-supporting local jobs and build community wealth. This toolkit on local and diverse purchasing showcases examples of how hospitals and health systems are reevaluating their roles as their community's largest purchasers, understanding that a thriving local economy is fundamental to a healthy community.

The sourcing of goods, services, and food that your hospital or health system does every day, when aligned with your mission, can help build local wealth in the communities you serve. Local spending has a multiplier effect that can increase local economic activity beyond that one purchase. For instance, dollars spent at independent local businesses will recirculate in the community at a greater rate than money spent at national chains.<sup>1</sup> By supporting diverse and locally owned vendors and helping to incubate new community enterprises to fill supply chain gaps, hospital and health systems like yours can leverage existing resources to drive local economic growth and build a culture of health in their communities.

This toolkit can help your institution get started. It highlights the concrete steps health systems are taking to shift policies to support local and diverse businesses and institutionalize and build upon these practices going forward. It focuses on two primary strategies for increasing local and diverse purchasing: building connections and building capacity.

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## THE BUSINESS IMPACT CASE

Inclusive, local purchasing contributes to better institutional and community outcomes in the long run. Incorporating these priorities into your institution's operations can:

- Address supply chain needs and gaps
- Create a more efficient and resilient supply chain
- Generate a thriving local business community
- Improve the quality of local jobs
- Increase community impact by targeting underserved neighborhoods
- Leverage existing philanthropic and public funds
- Align sustainability, diversity and inclusion, and community benefit priorities
- Reduce unnecessary and costly utilization of medical services
- Strengthen your reputation as the provider of choice for your community

"Connection strategies" focus on connecting existing local and diverse vendors to contracting opportunities within your institution. Often, traditional procurement practices create barriers for local and diverse vendors—even cost-competitive local and diverse vendors. Adjusting internal practices to facilitate connections with local vendors not only shifts procurement dollars in a way that fosters local employment, which in turn promotes community health, but it also grows these businesses over time, allowing for a more responsive and resilient supply chain.

"Capacity strategies" increase the ability of the local business community to meet health system supply chain needs—growing the capacity of existing businesses as well as helping to incubate new businesses. A capacity building approach helps address supply chain gaps, meet specific product needs, and improve the efficiency and resiliency of the supply chain. Capacity building initiatives often incorporate philanthropic or public funding, bringing additional financial resources to the table. Moreover, such business development efforts can incorporate important strategies to maximize impact through inclusive economic development. Specifically, they can create job opportunities for the populations that experience the greatest barriers to employment and cultivate wealth-building opportunities through employee ownership. Capacity strategies are most effective when employed in combination with internal policies that encourage connections with local vendors.

The potential impact of these strategies is significant. Nationally, health systems spend more than \$340 billion every year on goods and services; but many of those dollars leak out of their local communities and do not reach the populations facing the greatest health disparities.<sup>2</sup> Approximately 72 percent



of all health system purchases are made through group purchasing organizations (GPOs)—which limit opportunities for local businesses to compete for contracts.<sup>3</sup> Only a tiny portion of health system purchasing—less than 2 percent—flows to businesses owned by minorities and/or women.<sup>4</sup> Improving the health of communities and patients will require rethinking existing procurement and sourcing practices in order to build a robust local economy that benefits all residents.

Fortunately, across the country, innovative “buy local,” supplier diversity, and sustainable sourcing strategies are now underway and gaining momentum at hospitals and health systems. Health systems are reevaluating their relationships with their GPO partners to increase local and regional purchasing, and reflect other institutional values in their supply chain practices. They are demonstrating that healthcare institutions can reorient purchasing in a cost-effective manner to prioritize community, diversity, and sustainability—all critical components of a healthy community.

This movement toward intentionally aligning and activating all of the operational and intellectual resources of an institution—including its supply chain—to benefit the total health, resilience, and economic security of the community is increasingly being understood as the “anchor mission” of healthcare. Hospitals and health systems have an opportunity to adopt a holistic approach that links sensible long-term business practices with a commitment to aligning institutional resources like procurement and sourcing to make good on the promise of health to local communities.

## THE WIDENING GAP

Economic and racial divides are driving health disparities across the country:

- **22 percent** of children are living in poverty, a percentage that has not changed since 1960.<sup>5</sup>
- Ignoring racial inequities in income costs the country around **\$2.1 trillion** of lost GDP annually.<sup>6</sup>
- The number of people living in concentrated poverty has doubled from seven to **fourteen million** since 2000.<sup>7</sup>
- Median white net household wealth is **thirteen times** greater than African American net wealth and ten times greater than Latino net wealth.<sup>8</sup>
- The average difference in lifespan after age fifty between the richest and the poorest Americans has more than doubled—to **fourteen years**—since the 1970s.<sup>9</sup>

**For an animated video overview go to:**

[www.HospitalToolkits.org/purchasing](http://www.HospitalToolkits.org/purchasing)

## SOURCES

<sup>1</sup> American Independent Business Alliance, "The Multiplier Effect of Local Independent Businesses," accessed July 7, 2016, <http://www.amiba.net/resources/multiplier-effect/>.

<sup>2</sup> American Hospital Association, "Economic Contribution of Hospitals Often Overlooked," Chicago, IL: American Hospital Association, June 2011, <http://www.aha.org/content/11/11econcontrib.pdf>; American Hospital Association, "Fast Facts on US Hospitals," American Hospital Association, accessed September 2015, <http://www.aha.org/research/rc/stat-studies/fast-facts.shtml>.

<sup>3</sup> Akanksha Jayanthi, "50 Things to Know about the Country's Largest GPOs," Beckers Hospital Review, July 18, 2016, [www.beckershospitalreview.com/hospital-management-administration/50-things-to-know-about-the-country-s-largest-gpos.html](http://www.beckershospitalreview.com/hospital-management-administration/50-things-to-know-about-the-country-s-largest-gpos.html).

<sup>4</sup> The Network Journal, "B2B: National Minority Medical Suppliers Association," New York, NY: The Network Journal, Oct 2004, <http://www.tnj.com/archives/2004/october/b2b>.

<sup>5</sup> Annie E. Casey Foundation, "Kids Count Data Book: State Trends in Child Well-Being," Baltimore: Annie E. Casey Foundation, 2016, 6, [http://www.aecf.org/m/databook/2016KCDB\\_FINAL-embargoed.pdf](http://www.aecf.org/m/databook/2016KCDB_FINAL-embargoed.pdf).

<sup>6</sup> Thomas A. LaVeist, Darrell Gaskin, and Patrick Richard, "Estimating the Economic Burden of Racial Health Inequalities in the United States," *International Journal of Health Services* vol. 41, Issue 2 (2011).

<sup>7</sup> Elizabeth Kneebone and Natalie Holmes, "U.S. Concentrated Poverty in the Wake of the Great Recession," Washington DC: Brookings Institution, 2016, accessed July 2016, <http://www.brookings.edu/research/reports/2016/03/31-concentrated-poverty-recession-kneebone-holmes>.

<sup>8</sup> Rakesh Kochhar and Richard Fry, "Wealth Inequality has Widened along Racial, Ethnic Lines since End of Great Recession," Washington, DC: Pew Research Center, December 12, 2014, accessed May, 2016, <http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession>.

<sup>9</sup> Sabrina Tavernise, "Disparity in Life Spans of the Rich and the Poor Is Growing," *New York Times*, February 12, 2016, accessed May, 2016, <http://www.nytimes.com/2016/02/13/health/disparity-in-life-spans-of-the-rich-and-the-poor-is-growing.html>.

# Key Terms

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## ANCHOR INSTITUTION

Anchor institutions are nonprofit or public institutions that are firmly rooted in their locales, including hospitals, universities, local governments, and utilities. These institutions often have a social or charitable purpose, and unlike for-profit corporations that can relocate, are place-based and tend to stay put. As such, they have a vested self-interest in helping to ensure that the communities in which they are based are safe, vibrant, healthy, and stable.<sup>1</sup>

## ANCHOR MISSION

A commitment to consciously apply the long-term, place-based economic power of the institution, in combination with its human and intellectual resources, to better the long-term welfare of the community in which the institution is anchored.<sup>2</sup>

## BUSINESS CERTIFICATIONS (MWBE/DBE/HUB)

Throughout the toolkit, multiple definitions and certifications are referenced when discussing institutions' supplier diversity programs. Women- and Minority-owned Business Enterprises (MWBE): **Women and Minority Owned Business Enterprises (MWBE)** is an industry term to refer to businesses owned and operated by women or historically underrepresented groups, and particularly those that have gone through a national or local certification process. The National Minority Supplier Development Council defines minority-owned businesses as those that are "owned, operated and controlled by minority group member," which include Asian, Black, Hispanic and Native American residents. Many institutions require a MWBE certification for participation in their supplier diversity programs.<sup>3</sup>

Other certifications and definitions include **Disadvantaged Business Enterprises (DBE)** and **Historically Underutilized Businesses (HUB)**. The DBE certification is implemented by the U.S. Department of Transportation and is open to small businesses where "socially and economically disadvantaged individuals own at least a 51% interest," defining this as including African Americans, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans, women, and others on a case by case basis.<sup>4</sup> HUB certifications are generally operated by state governments and refer to enterprises that are at least 51% owned by minorities, including the groups listed above, and disabled-owned business enterprises. Some states have included restrictions on the size of businesses.<sup>5</sup>

## BUSINESS INTERMEDIARIES

For the purposes of this toolkit, the term business intermediaries refers to organizations that strengthen the capacity of small, local, diverse, and/or employee-owned businesses to serve institutional purchasers. In this context, these organizations include technical assistance providers, business incubators, organizations that help connect businesses to capital, and supplier development councils.

## COMMUNITY BENEFIT

Activities of hospitals and health systems that contribute to the health and well-being of their surrounding community. Non-profit hospitals and health systems must report on their community benefit activities in order to maintain their federal tax-exempt status. Traditionally, community benefit reporting has included free and discounted care, unreimbursed care, community health improvement efforts, efforts to expand access to care, training for health professionals, and research. In 2011, the IRS issued guidance that "community building activities" also counted as community benefit. Defined as hospital activities that foster health improvement through physical and environmental improvements, community capacity building, and economic development, this expanded the range of community benefit activities to include sectors such as housing and workforce development.<sup>6</sup>

### COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA)

A research process non-profit hospitals must implement as part of their community-benefit reporting. Instituted by the Affordable Care Act of 2010, CHNAs must be completed by hospitals and health systems every three years and identify the most pressing community health concerns. An implementation plan must then be developed to address identified community health needs. CHNAs and the resulting implementation plans are publically reported, and subject to review by the IRS.<sup>7</sup>

### COMMUNITY WEALTH BUILDING

A systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted and broadly held ownership. Community wealth building calls for developing place-based assets of many kinds, working collaboratively, tapping large sources of demand, and fostering economic institutions and ecosystems of support for enterprises rooted in community.<sup>8</sup>

### GROUP PURCHASING ORGANIZATION (GPO)

A Group Purchasing Organization (GPO) is an entity that aggregates purchasing volume with the objective of achieving cost savings for its members by negotiating deals with vendors, distributors, and manufacturers.<sup>†</sup> Participating institutions engage in a contract with a GPO by becoming members, and agreeing to direct a certain percentage of their spending through the organization rather than engaging in contracts directly. According to the Healthcare Supply Chain Association, more than 70% of purchases that U.S. hospitals make are done through GPO contracts. A GPO is one type of Supply Chain Integrator (see definition below).<sup>9</sup>

### EMPLOYEE-OWNED BUSINESS

An employee-owned business is one in which the ownership of a company is held broadly by the employees themselves, rather than a sole proprietor. Employee ownership can take multiple forms: **Worker cooperatives** are businesses that are owned and governed by their employees. Workers, who are member-owners of the cooperative, invest and own the business together and are voting members of the board of directors and have equal voting power. This creates a more democratic and equitable governance structure, as well as wealth building opportunities for employees through profit sharing. **Employee Stock Ownership Plans (ESOPs)** allow employees to become shareholders in the business, often through holding company stocks in the form of a retirement plan. This structure provides additional financial benefit to employees through profit sharing and can increase participation through decision making for employees.<sup>10</sup>

### HEALTH & HEALTH EQUITY

More than just the absence of illness, these toolkits utilize the World Health Organization's definition of health, "a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity." Health equity refers to the notion that all people should be able to achieve their highest level of health, regardless of their race, gender, class, sexual orientation, or other identities. Achieving health equity requires addressing the systemic factors shaping the social determinants of health.<sup>11</sup>

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<sup>†</sup> Despite this intended goal, the Government Accountability Office, in a 2010 literature review, could not find any peer-reviewed studies with empirical analysis to show that GPOs lower costs to hospitals. See: U.S. Government Accountability Office, *Group Purchasing Organizations: Research on Their Pricing Impact on Health Care Providers* (Publication No. GAO-13-23R), Washington, DC: U.S. Government Accountability Office. Jan 29, 2010, p 1. Accessed Mar 21, 2014.

### LOCALLY OWNED BUSINESS

A locally owned business refers to one in which the company is owned and operated by residents of a designated geography. Purchasing at locally owned businesses has a **multiplier effect** for local economic activity. Dollars spent at locally owned businesses recirculate in the community at a greater rate than money spent at national chains and absentee-owned businesses.<sup>12</sup>

### MENTOR-PROTÉGÉ PROGRAM

A mentor-protégé program connects large vendors with smaller local and diverse vendors in order to provide training and capacity building opportunities. More commonly employed in construction, mentor-protégé programs help build capacity across the supply chain, as protégés receive coaching around important business practices, such as putting together bids and organizing the back office. Programs can take the form of informal mentorships, which encourage relationships between tier-one and tier-two suppliers (see below), or formalized programs where the health system acts as a matchmaker and facilitator.<sup>13</sup>

### PROCUREMENT, PURCHASING AND SOURCING

Purchasing and sourcing refer to different stages of the procurement process, or the way in which institutions procure items. Although each of these terms has its own specific parameters and functions, in this toolkit we use them interchangeably to refer to activities that are part of the supply chain, or the entire process of procuring items from identifying needed goods and services to distributing them within the hospital.

### SOCIAL DETERMINANTS OF HEALTH

A complex of social, economic, and environmental factors that drive health outcomes. The World Health Organization defines the social determinants of health as “the conditions in which people are born, grow, work, live, and age.” They represent the wider set of forces and systems shaping the conditions of daily life that drive health outcomes, such as inequality, social mobility, community stability, and the quality of civic life. Sometimes referred to as “upstream” determinants, research indicates that 40 percent of the factors that contribute to health are social and economic.<sup>14</sup>

### SUPPLIER DIVERSITY

Supplier diversity refers to an institutions' vendor base, and the degree to which the businesses institutions procure from are owned by diverse suppliers. It has developed as an industry term to refer to working with businesses that are at least 51% owned, managed and operated by businesses owned by minorities, women, veterans, or other designated groups that have historically been underrepresented in industry supply chains. In this toolkit, we focus on supplier diversity programs that explicitly work with minority-owned businesses.<sup>15</sup>

### SUPPLY CHAIN INTEGRATOR

The term supply chain integrator refers to business entities that perform aggregation or distribution functions in the purchasing process. These include Group Purchasing Organizations, which aggregate purchasing volume; medical supply distribution companies; and distribution and transportation companies. Although the integrators themselves are often national in scale, many of their supply chain functions can be localized and diversified.

### TIER-ONE AND TIER-TWO SUPPLIERS

Tier-one (or prime) suppliers refer to vendors that institutions directly contract with when procuring a good or service. Tier-two suppliers refer to vendors that tier-one suppliers subcontract with in order to fulfill the contract. Subtracting requirements can encourage tier-one vendors to work with and mentor local and diverse suppliers.

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- <sup>1</sup> See Tyler Norris and Ted Howard, *Can Hospitals Heal America's Communities? "All in for Mission" is the Emerging Model for Impact* (Takoma Park, MD: The Democracy Collaborative, 2015), 8
- <sup>2</sup> See Tyler Norris and Ted Howard, *Can Hospitals Heal America's Communities? "All in for Mission" is the Emerging Model for Impact* (Takoma Park, MD: The Democracy Collaborative, 2015), 7
- <sup>3</sup> For more information about MWBE certification, see: "Certification Overview," MWBE.com, accessed November, 2016, <http://www.mwbe.com/cert/certification.htm> and "What is a MBE?" National Minority Supplier Development Council, accessed November, 2016, <http://www.nmsdc.org/mbes/what-is-an-mbe/>
- <sup>4</sup> For more information on DBEs, see: "Definition of a Disadvantaged Business Enterprise," Department of Transportation, accessed November 2016. <https://www.transportation.gov/osdbu/disadvantaged-business-enterprise/definition-disadvantaged-business-enterprise>
- <sup>5</sup> "Historically Underutilized Business (HUB) Owned Business Definition," ThomasNet, accessed November, 2016 [http://certifications.thomasnet.com/certifications/glossary/ownership\\_diversity/ownership\\_diversity/historically-underutilized-business-hub/](http://certifications.thomasnet.com/certifications/glossary/ownership_diversity/ownership_diversity/historically-underutilized-business-hub/)
- <sup>6</sup> For further definitions and information about Community Benefit, refer to: "Jargon Buster," Build Healthy Places Network, accessed August 2016 <http://www.buildhealthyplaces.org/jargon-buster/>; and "What are hospital community benefits?" (Baltimore, MD: The Hilltop Institute, 2013), accessed August 2016 <http://www.hilltopinstitute.org/publications/WhatAreHCBsTwoPager-February2013.pdf>;
- <sup>7</sup> For further definitions and Community Health Needs Assessments, refer to: "Jargon Buster," Build Healthy Places Network, accessed August 2016 <http://www.buildhealthyplaces.org/jargon-buster/>;
- <sup>8</sup> See Marjorie Kelly and Sarah McKinley, *Cities Building Community Wealth* (Takoma Park, MD: The Democracy Collaborative, 2015), 16
- <sup>9</sup> "Frequently Asked Questions," Healthcare Supply Chain Organization, accessed November, 2016, <http://www.supplychainassociation.org/?page=FAQ>
- <sup>10</sup> For more information about worker cooperatives, see "Worker Cooperatives," Community-Wealth.org, The Democracy Collaborative, accessed November 2016, <http://community-wealth.org/content/worker-cooperatives> and "Worker Cooperative FAQ," Democracy at Work Institute, accessed November, 2016, <http://institute.coop/worker-cooperative-faq#Q2>. For more information about ESOPs see: "Employee Stock Ownership Plans (ESOPs)," Community-Wealth.org, The Democracy Collaborative, accessed November 2016, <http://community-wealth.org/strategies/panel/esops/index.html> and "An Introduction to the World of Employee Ownership," National Center for Employee Ownership, accessed November, 2016 <https://www.nceo.org/employee-ownership/id/12/>
- <sup>11</sup> Health and health equity are defined by The Build Healthy Places Network, which utilizes definitions from the World Health Organization. For more information, see: "Jargon Buster," Build Healthy Places Network, accessed August 2016, <http://www.buildhealthyplaces.org/jargon-buster/>; and "WHO definition of Health," World Health Organization, accessed August, 2016, <http://www.who.int/about/definition/en/print.html>. For further definitions of health equity, see "Glossary of Terms," National Partnership for Action to End Health Disparities, Office of Minority Health, accessed August 2016, <http://minorityhealth.hhs.gov/npa/templates/browse.aspx?lvl=1&lvlid=34>
- <sup>12</sup> For further information about locally owned businesses and the multiplier effect see: BALLE, "Local Economy Framework," BALLE, (2016) accessed November, 2016, <https://bealocalist.org/local-economy-framework-8-strategies-build-healthy-local-economies/> and "The Multiplier Effect of Local Independent Businesses," American Independent Business Alliance, accessed November, 2016, <http://www.amiba.net/resources/multiplier-effect/>
- <sup>13</sup> For more information on mentor-protégé programs, see the Building Capacity section of this toolkit. <http://hospitaltoolkits.org/purchasing/infographic/building-capacity/critical-strategies/>
- <sup>14</sup> See "Social Determinants of Health," World Health Organization, accessed April 2015, [http://www.who.int/social\\_determinants/en/](http://www.who.int/social_determinants/en/); Tyler Norris and Ted Howard, *Can Hospitals Heal America's Communities? "All in for Mission" is the Emerging Model for Impact* (Takoma Park, MD: The Democracy Collaborative, 2015); and "County Health Rankings & Roadmaps," University of Wisconsin Population Health Institute, accessed September 2015, <http://www.countyhealthrankings.org/Our-Approach>
- <sup>15</sup> For more information about supplier diversity within healthcare, see: Health Research & Educational Trust, *Increasing Supplier Diversity in Health Care*, (Chicago, IL: Health Research & Educational Trust, September, 2015), accessed at [http://www.hpoe.org/Reports-HPOE/2015/2015\\_supplier\\_diversity\\_FINAL.pdf](http://www.hpoe.org/Reports-HPOE/2015/2015_supplier_diversity_FINAL.pdf)

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# Case Studies

# Case Studies

## LEARN WHAT IS HAPPENING ON THE GROUND



Learn how these institutions are addressing common challenges in the **Overcoming Barriers** worksheet in the *Tools for Getting Started* at the end.

1

### UNIVERSITY HOSPITALS

In Cleveland, Ohio, University Hospitals is harnessing its purchasing power to revitalize disinvested urban neighborhoods, by encouraging existing vendors to move locally and hire local and minority residents and helping incubate environmentally sustainable, employee-owned businesses.

2

### MD ANDERSON CANCER CENTER

In Houston, Texas, MD Anderson Cancer Center works with existing vendors to facilitate a mentor-protégé program, building the capacity of local, diverse businesses.

3

### PARKLAND HEALTH AND HOSPITAL SYSTEM

In Dallas, Texas, Parkland Health and Hospital System is integrating supplier diversity into their Request for Proposals and contracting processes and working to build the capacity of local, diverse businesses.

4

### CHARLESTON AREA MEDICAL CENTER

In Charleston, West Virginia, Charleston Area Medical Center is addressing community health needs by purchasing from local farmers and intentionally growing the capacity of the regional food system, creating local jobs and healthier food options for its patients.

5

### CHICAGO ANCHORS FOR A STRONG ECONOMY (CASE)

In Chicago, Illinois, Chicago Anchors for a Strong Economy (CASE) is leveraging its anchor institution members' purchasing and hiring power, including four health systems, to collectively impact Chicagoland neighborhoods and foster inclusive economic growth.



# University Hospitals

CLEVELAND, OHIO

## Anchors

- University Hospitals
- Employees: 26,000
- Average Annual Spending on Goods and Services: \$832 million
- Average Annual Construction Spending: \$100 million

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## Key strategies employed

- Connect to existing inclusive economic development efforts and partnerships
- Support inclusive business structures
- Leverage large capital projects
- Establish local and diverse spending goals and benchmarks
- Leverage contracts with large vendors and Group Purchasing Organizations (GPOs) to achieve procurement goals

### MISSION



“University Hospitals is firmly committed to supporting minority; women; lesbian, gay, bisexual and transgender (LGBT) and local business enterprises, contracting with firms that share the same commitment and provide the best quality, value-added products and services at the most competitive cost.”<sup>1</sup>



*An employee of Evergreen Cooperative Laundry, one of  
Evergreen Cooperative's worker-owned businesses*



*An employee of Green City Growers, one of Evergreen  
Cooperative's worker-owned businesses*

*Photographs courtesy of Evergreen Cooperatives*

## Overview

University Hospitals (UH) in Cleveland, Ohio is committed to both local and diverse sourcing and includes working with local vendors as part of their overall supplier diversity strategy. Local is defined as Northeast Ohio, which mirrors UH's patient base. UH's supplier diversity program employs many strategies to facilitate inclusive, local sourcing, including the development of a robust tier-two supplier program. With a goal of spending 80 percent of the construction budget with local firms and increasing spending on local goods and services by 15 percent each year, UH understands local sourcing as a new way of doing business rather than as an add-on project.

## Background

UH's commitment to local and diverse purchasing originated from their 2005 strategic planning process, called Vision 2010. This five-year growth plan involved the construction of five new medical facilities, representing \$1.2 billion in spending. Recognizing the potential to leverage this construction spend for economic growth in Cleveland, UH set ambitious goals through Vision 2010 for diverse and local purchasing: 80 percent of spending should be with local and regional firms in Northeast Ohio, 15 percent with minority-owned enterprises, and 5 percent with woman-owned enterprises. Verified through independent third-party monitoring, UH exceeded these goals and has integrated these processes into their overall supply chain practices, setting a new standard for how large institutions should do business in Cleveland.<sup>2</sup>

## Program set-up

A critical element of UH's strategy is holding supply chain leadership accountable for meeting local and diverse spending goals, rather than having a separate position or department manage supplier diversity or local spending. Chief Administrative Officer Steve Standley, who oversaw this evolution at UH articulated this vision: "It's not just the right thing to do, it's going back and revisiting the mission of the hospital. The hospital is originally here to respond to healthcare needs." Under this logic, it becomes everyone's job at UH to ensure that their work is aligned with this mission—supply chain included. All contracts over \$20,000 must include at least one local minority- or woman-owned business enterprise (MWBE) in the bidding process, and progress on purchasing goals is reported regularly to the Board of Directors.

## Key strategies employed

### CONNECT TO EXISTING INCLUSIVE, ECONOMIC DEVELOPMENT EFFORTS AND PARTNERSHIPS

One of the core tenets of Vision 2010 was to "produce lasting change in Northeast Ohio by pioneering a 'new normal' for how business should be conducted by the region's large institutions."<sup>4</sup> This commitment to working with other regional institutions is also reflected in UH's participation in the Greater University Circle Initiative (GUCI), launched by the Cleveland Foundation in 2005, concurrently with Vision 2010. The Greater University Circle is a geographic area in Cleveland housing three major institutions: UH, Case Western Reserve University, and Cleveland Clinic.

GUCI's goal is to foster collaboration among the anchor institutions so as to leverage their economic power for inclusive economic revitalization in the surrounding neighborhoods.<sup>5</sup> Participating in GUCI ensures that UH's local development work is connected to a larger vision of neighborhood revitalization; coordination between anchors allows for greater scale and impact of the overall initiative. Participation in GUCI also enables UH to direct additional philanthropic resources to the same neighborhoods UH serves, increasing the impact of their own efforts.

Another important aspect of UH's connection to GUCI is the ability to amalgamate demand with other area anchor institutions. "How can we get more cooperation among the different institutions to leverage additional purchasing power?" posed Vice President of System Resource Management Mary Beth Levine when describing this approach. By identifying shared needs, area institutions can make investments in business incubation that help make their supply chains more efficient while simultaneously promoting job creation.

This logic led to the creation of the Evergreen Cooperatives (described in more detail below) in 2009, a set of worker-owned businesses established to meet anchor supply chain needs. Each of the participating anchor institutions identified sustainability as a core value and an area where additional vendors were needed. As such, Evergreen Cooperatives has been able to focus on this market niche and create "greenest in class" businesses that met institutional supply chain needs at competitive prices. The demand of UH alone would not have been sufficient to support Evergreen's businesses, however. Evergreen was feasible because the anchors worked in concert as part of a larger economic development initiative, aggregating demand and investing in business incubation.

### SUPPORT INCLUSIVE BUSINESS STRUCTURES

UH's commitment to local sourcing goes beyond simply working with businesses in their footprint or diverse vendors in general. UH is specifically focused on local and inclusive economic development initiatives that will improve community health. They are committed to working with businesses owned by and/or employing residents facing barriers to employment and offering wealth-building opportunities to their employees.

This commitment is evident in UH's relationship with the Evergreen Cooperatives, which hire from the same zip codes that the GUCI prioritizes. Evergreen includes a nonprofit incubator for worker-owned cooperatives with the mission to "promote, coordinate and expand economic opportunity for low-income individuals, through a growing network of green, community-based enterprises."<sup>6</sup> The Evergreen Cooperatives have an explicit goal to hire individuals with the greatest barriers to employment, including the formerly incarcerated, who might otherwise be considered ineligible for a position in the health system. UH not only purchases from the Evergreen Cooperatives but also invested directly in their initial development; it contributed \$1.25 million as seed funding and leadership co-chaired the organization's founding board of directors.

UH maximizes its purchasing impact through the business ownership structure of the cooperatives. As worker-owned enterprises, employees at the Evergreen Cooperatives can become part owners of the company, gaining opportunities to participate in decision-making and build wealth through profit sharing. Furthermore, since ownership of the business is split between the employee-owners and the nonprofit incubator, the enterprises will remain in the neighborhood, where employees and the incubator are based.

This intentional design ensures the cooperatives' continued presence as local economic engines, strengthening the community over time. Seeking to expand economic opportunity for their workers, the cooperatives also connect their employees to other wealth-building opportunities. Most notably, Evergreen operates a homebuyer program that assists worker-owners in purchasing homes within GUCI neighborhoods. Participating employees receive financial education, property tax abatements, and payroll deductions that help pay the home off. Employees who otherwise would be unable to afford homes are able to generate equity. Worker-owners and entire neighborhoods benefit as greater stability emerges from higher levels of homeownership.<sup>7</sup> Thus, UH is able to channel procurement dollars to businesses that employ residents in these areas and augment their ability to build wealth and neighborhood and community strength.

Central to Evergreen's success is the fact that the businesses were designed to meet the supply chain needs of nearby anchors. Evergreen is currently composed of three businesses: a commercial laundry facility, an environmental construction and retrofit firm, and an urban greenhouse. UH's support for Evergreen has been multifaceted. Their agreement to participate in GUCI and share data around supply chain needs ensured demand for the businesses. UH's commitment to procure from these businesses allowed them to create robust business plans and work from realistic and informed budgets.





*University Hospitals Seidman Cancer center; built through Vision 2010.*

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UH has adjusted its supply chain practices significantly to work with Evergreen. Initially, UH's existing contract with a large national vendor posed a barrier to working with the Evergreen laundry cooperative. This might have prevented UH from giving the laundry cooperative business for three years, risking the business' viability. UH leadership negotiated a solution: UH leveraged the prospect of future contracts to bring the vendor to the table, and the vendor agreed to subcontract four million pounds of laundry to Evergreen. Standley described how the major vendor came to see this arrangement as advantageous to them. Working with Evergreen allowed them to better meet UH's sustainability goals, since Evergreen provides "green laundry" services. Moreover, Evergreen laundry was able to specialize on specific items, leading to a higher quality of service.

### LEVERAGE LARGE CAPITAL PROJECTS

UH has a particularly robust local and diverse vendor initiative for construction. This began in 2005, with the Vision 2010 process that developed many of the policies and procedures that have since been institutionalized across the supply chain. UH's construction program not only looks to build within the local vendor base, but also requires vendors to hire from the neighborhoods targeted by UH's own workforce development programs. This link between UH training local and diverse contractors, and contractors hiring local residents, ensures that all stages of the construction process are leveraged to maximize impact.

Healthcare construction is a specialized and highly regulated field, making it a difficult space for smaller firms to enter. Thus, a major focus of UH's program is in linking local and diverse contractors to larger vendors who already work on healthcare construction projects. "We look for and hope to develop additional expertise with smaller contractors so that they can hopefully grow and hire, and then train others," explained Levine. Even if the firm who wins the bid is not local, UH requires that this firm subcontract with a local firm.

These efforts are also linked to local job creation. “On the support team side of what we did at Vision 2010, we required companies who didn’t have a local office to open a local office here... If they weren’t willing to do so we decided to go with someone else,” explained Levine. UH specified that these local offices must be more than a token desk in an office: They must entail meaningful commitments to local work and the creation of local jobs. Another strategy by which UH fosters local job creation is to include local hiring and internship requirements into Requests for Proposal (RFPs). Vision 2010 also established a requirement that vendors institute an internship training program to hire and train individuals from the surrounding neighborhoods.

UH’s commitment to Vision 2010 led to a shift in practices citywide. In 2013, the Mayor of Cleveland Frank Jackson issued a Memorandum of Understanding outlining community benefit provisions, many of which reflected practices implemented during Vision 2010. The result has been a new standard that Cleveland institutions adopt a Community Benefits Agreement (CBA) before beginning new development. As a result of UH’s leadership, the potential impact for the local economy and health of local residents has been scaled citywide.<sup>8</sup>

### **ESTABLISH LOCAL AND DIVERSE SPENDING GOALS AND BENCHMARKS**

A critical factor in UH’s success is their willingness to set clear goals, hold staff accountable to meeting them, and reward staff for exceeding them. Standley described this as a shift from setting ceilings to setting floors. “It’s the way you have to do business,” he emphasized. To perform satisfactorily, managers must show progress on goals for local and diverse sourcing, just as they would other performance metrics. Goals around diverse and local purchasing are included in management goals. Leadership is similarly accountable to these goals, and their compensation is tied to success.”

Reports to the Board of Directors are another mechanism driving accountability, with efforts to work with diverse suppliers tied to UH’s larger diversity initiatives. The board receives quarterly updates on diversity within human resources, supply chain, board diversity, and clinical operations. Standley described the crucial effect this has had: “What really changes the organization’s culture is that we report it out to the board, and expectations are clearly documented and integrated with management priorities.”

### **LEVERAGE CONTRACTS WITH LARGE VENDORS AND GROUP PURCHASING ORGANIZATIONS (GPOS) TO ACHIEVE PROCUREMENT GOALS**

Another strategy UH uses is leveraging contracts with existing vendors to encourage them to subcontract to local vendors or relocate to Cleveland. In the construction space, this involves writing local hiring provisions into the RFPs. All construction RFPs include language about commitment to the community, and require such elements as local hiring, internship programs, and subcontracting. After Vision 2010, Levine explained, this became the “new normal” for doing business with UH.

This practice has also taken root in the goods and services space. Standley described how vendors should operate with the same goals as UH. “We want vendors to create jobs in our community. We’re going to commit to them long-term if they do that.” To bring vendors on board with this vision of local hiring, UH has leveraged access to long-term contracts. In the case of Owens & Minor, a medical distribution company, UH was able to negotiate with them to relocate a facility to Cleveland and to hire from designated zip codes starting at a certain wage.

This approach ensures that UH’s procurement strategy is linked to real job creation in the neighborhoods of focus. UH is currently conducting similar negotiations with other vendors. “We want to create an environment that says ‘we’re going to prioritize companies that are committed to our region,’” explained Standley.<sup>9</sup> UH has approached their GPO in a similar manner. Articulating local spending as a priority, UH has asked the GPO to shift to local products and seek vendors willing to relocate to Cleveland.



## IMPACT

### TOTAL SPEND IN 2015



**\$832M**

in goods and  
services



**\$62M**

with MWBE  
vendors



**\$199M**

with vendors  
in Cleveland



**\$363M**

with vendors  
in Ohio

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- <sup>5</sup> For more about the Greater University Circle Initiative, see: <http://democracycollaborative.org/greater-university-circle-initiative> and the online appendix of this toolkit.
- <sup>6</sup> “Mission and Vision,” Evergreen Cooperatives, accessed July, 2016, <http://www.evgoh.com/mission-vision/>.
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- <sup>8</sup> The full Memorandum of Understanding outlining the community benefits agreement, and letter of endorsement from participating anchors including University Hospitals, can be found at: <https://clecityhall.com/2013/09/16/mayor-jackson-welcomes-10-cleveland-businesses-and-institutions-to-city-hall-as-they-endorse-historic-community-benefits-agreement/>. The memorandum is also in the more resources section of this toolkit.
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# MD Anderson Cancer Center

## HOUSTON, TEXAS

### Anchor

- MD Anderson Cancer Center (housed within Texas Medical Center)
- Employees: 21,000
- Annual Spending on Goods and Services in 2016: \$1.25 Billion
- Construction Spending in 2016: \$127 Million<sup>1</sup>

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## Key strategies employed

- Set public goals and regularly report on progress
- Establish thresholds to ensure local and diverse vendors are considered
- Facilitate a mentor-protégé program
- Provide technical assistance and capacity-building training

### MISSION OF PROGRAM



Our mission is to increase the number of contracts awarded to American minority- and woman-owned businesses, and to provide training, resources, and mentoring to help them meet institutional and legislative program goals for all purchases.”<sup>2</sup>

## Overview

The supplier diversity program at MD Anderson Cancer Center (MD Anderson) focuses on working with Historically Underutilized Businesses (HUBs) and small businesses. Administered by the state of Texas, HUB certification is available to businesses owned by minorities, women, and veterans, as well as to businesses whose owners reside in Texas. MD Anderson's program focuses on: 1) providing assistance and information to local businesses about certification; 2) supporting capacity-building activities, including a mentor-protégé program for Texas-based HUB-certified vendors; 3) requiring their tier-one vendors to make a good faith effort to subcontract with HUB businesses for contracts above a certain amount; 4) promoting accessibility by hosting and participating in supplier forums; and 5) upholding program accountability, including regular public reporting.



*MD Anderson Cancer Center*

## Background

MD Anderson is part of the University of Texas and is housed within the Texas Medical Center in Houston. The HUB & Federal Small Business programs operate on state and federal levels. MD Anderson is part of the University of Texas System, and as such, follows HUB legislation and is subject to state regulations regarding supplier diversity. In addition, as a federally designated comprehensive cancer center established by the National Cancer Act of 1971, MD Anderson receives federal funding and is subject to federal procurement regulations and guidelines. MD Anderson's supplier diversity program has largely been developed to meet these state and federal requirements.

The program expanded in scale with the creation of the HUB & Federal Small Business Program in 1990. As associate director of the HUB & Federal Small Business Program, Marian Nimon has implemented policies to institutionalize MD Anderson's supplier diversity efforts, going beyond the state and federal minimum requirements. Examples of these additional steps include their mentor-protégé program, adding HUB participation forms to the contracting process, and policies for working with federally designated small businesses.

Policies are reviewed and revised every two years to reflect any changes to state and federal guidelines. For instance, disabled veterans were recently added to federal guidelines, so MD Anderson's policies were updated accordingly. By requiring each policy to be reviewed by a committee, MD Anderson also ensures that the institution's leadership is involved in and knowledgeable about the program.

## Program set-up

All contracts valued at \$100,000 or more require evaluation for subcontracting opportunities with HUB-certified vendors. If subcontracting is feasible, vendors must include a valid HUB Subcontracting Plan in their bid, detailing how they will make a good faith effort to subcontract with HUBs. A bid that fails to include this plan is considered “non-responsive” and will not be considered.

MD Anderson provides resources to help vendors comply, including plan templates, a draft review of their plan, and assistance identifying and connecting them to local and diverse vendors. Contracts under \$100,000 are required to have a certain number of HUB participants per bid, increasing the likelihood of selecting a HUB certified business and ensuring that purchasers conduct adequate vendor outreach.

In defining historically underutilized and small businesses, MD Anderson’s HUB & Federal Small Business Program uses the guidelines established by the federal Small Business Concerns (SBC) programs and state of Texas HUB Program. HUBs are defined as being “at least 51% owned by an Asian Pacific American, Black American, Hispanic American, Native American and/or American woman, and/or Service-Disabled Veterans.” Also included are businesses “owned by a Texas resident who actively participates in the control, operations and management of the entity’s affairs,” or a for-profit entity not exceeding certain size standards that has Texas as its principal place of business. The HUB definition thus encompasses local purchasing—albeit statewide—as well as diverse purchasing.<sup>3</sup>

In addition, MD Anderson maintains resources for vendors to become either HUB certified through the state of Texas, or federally certified through the US Small Business Administration (SBA). Technical assistance for certification is offered through the University of Houston Procurement Technical Assistance Center. Certified vendors may apply for mentorship and training opportunities. A mentor-protégé program, described in greater depth below, connects large vendors to small businesses, allowing small vendors to gain business acumen in such areas as quality business practices, back office support infrastructure, and healthcare sector specific industry knowledge.

To be eligible for the program, vendors must be: in business for at least a year, HUB certified by the state of Texas, and in a line of business complementary to MD Anderson. Businesses need not be current vendors, and receiving mentoring is no guarantee of a future contract. However, the mentorship program aids vendors in understanding MD Anderson’s supply chain needs and developing competitive bids.

Housed in the Supplier Diversity department, the program is embedded within the health system’s supply chain processes. Supplier Diversity has three full-time staff members, although all supply chain staff are held accountable for meeting the minimum participation bid requirements described above. All contracts over \$100,000 are evaluated by the Supplier Diversity department to ensure compliance with HUB’s good faith effort guidelines. Nimon heads the Supplier Diversity department and serves on MD Anderson’s internal institutional diversity committee. Her dual role helps connect supplier diversity efforts to broader institutional goals.

The department also supports vendor outreach and training, hosts meet-and-greets and trainings, creates diverse spend reports, and facilitates a mentor-protégé program. It also serves as the contact point for vendors interested in contracting with MD Anderson. Nimon developed an email template to thank vendors for their interest. The message recalls how they initially connected to MD Anderson, helping to create a personal connection. The email also provides: instructions on registering electronically, a link to bidding opportunities online, and contact information for relevant department heads. These communications ensure that vendors have the information needed to take the initial steps for contracting with MD Anderson or getting HUB certified.

## Key strategies employed

### SET PUBLIC GOALS AND REGULARLY REPORT ON PROGRESS

MD Anderson specifies HUB goals by spend category. These goals are publicly available on their website and renewed each fiscal year. For 2016, the goals were: 10 percent for building construction, 12 percent for special trade construction, 33 percent for professional services, 10 percent for other services, and 2.5 percent for commodities. Focusing on specific spend categories allows MD Anderson to establish more targeted goals based on the existing supply of local and diverse businesses in each sector.

MD Anderson's performance is regularly compared to these goals. The HUB & Federal Small Business Program sends monthly progress reports to the associate vice president of supply chain management. Performance is also reported to hospital leadership and public agencies, adding further layers of accountability. The reports identify the percentage of spend with HUB businesses across spend categories, allowing for easy evaluation of whether MD Anderson is meeting goals.

"The reports are used to help us understand where the opportunities are," explained Nimon. The frequency of reporting allows for greater troubleshooting and flexibility, and the department has a deeper understanding of where spend is allocated. In addition to these internal reports, MD Anderson reports regularly to state and federal agencies. As a public institution, Nimon emphasized, MD Anderson is subject to a higher level of accountability.

### ESTABLISH THRESHOLDS TO ENSURE LOCAL AND DIVERSE VENDORS ARE CONSIDERED

MD Anderson follows a tiered approach for contracting. For transactions under \$15,000, 50 percent of all non-committed orders are encouraged to be placed with HUB businesses. Contracts between \$15,000 and \$49,999 are deemed informal bids; in this tier, a minimum of three bids must be solicited. Two of these bids must be from HUB vendors, with one being a minority vendor and the second a HUB with any ownership. Bid participation is tracked and reported. Solicitations above \$50,000 follow this same process and additionally are posted publicly on MD Anderson's website. Anything above \$100,000 is evaluated for subcontracting opportunities.

This tiered approach enables flexibility in the procurement process. Smaller purchases need not follow the same channels as large contracts, but there are always procedures to ensure that HUB businesses are considered. It is up to the purchasers to meet these goals; however, the HUB & Federal Small Business Program offer resources such as vendor referrals. By setting a minimum threshold for evaluation, this policy ensures that all contracts are considered for opportunities for localizing or diversifying spend.

### FACILITATE A MENTOR-PROTÉGÉ PROGRAM

MD Anderson operates a mentor-protégé program to link large, established suppliers with HUB businesses. A recognized model for mentorship programs in Texas, the initiative has assisted nearly forty businesses over twenty-one years. Nimon explained that mentors are ideally companies that have already contracted with MD Anderson for at least a year. "They do not have to be a large business, but they need to be a willing partner to share and mentor," Nimon explained. Protégé companies must be HUB certified. Nimon's office aims to foster two new relationships a year, but there is frequently greater demand for the program and they often agree to work with more companies.

The matching process is not as simple as linking businesses in the same field, and MD Anderson looks to pair companies with similar business processes. “They might complement one another with good business practices, but they don’t have to be in the same line of business,” Nimon explained. Processes such as bid preparation, tracking finances, back office support, and succession planning remain consistent across sectors. Cross-field mentorship also encourages participation, as mentors are not directly supporting their competition. When mentors and protégés are in the same field, the protégé company may go on to serve as a subcontractor, helping the mentor to meet HUB subcontracting goals.

Mentor-protégé pairs meet an average of ten times a year in person. They are expected to be in communication between meetings as well, ideally in person if they are in the same city, or via conference call if not. A staff member from the HUB & Federal Small Business Program moderates the meetings and tracks the progress of the teams against their goals.

Mentors can also provide vendors with healthcare-specific knowledge and expertise. Nimon gave the example of a large pharmaceutical supplier helping a small supplier to better understand the FDA approval process. MD Anderson went on to contract with the protégé company as they expanded, and the company hired additional staff to meet the growing demand.

### PROVIDE TECHNICAL ASSISTANCE AND CAPACITY-BUILDING TRAINING

Additionally, MD Anderson offers other technical assistance and training opportunities to potential vendors. For instance, they host a yearly internal training designed to build the capacity of diverse vendors. Participants receive step-by-step instructions on registering as a vendor and submitting a HUB subcontracting plan. They also have the chance to meet and hear from key purchasing decision makers in each area of business. Participants learn information specific to MD Anderson as well as general best practices for human resource procedures, legal contracting, and pricing bids.

Furthermore, MD Anderson provides technical assistance on becoming HUB certified in order to be eligible to be considered a diverse supplier. The landing page for the HUB & Federal Small Business Program’s website provides links to information about the certification process. In addition, MD Anderson provides information for connecting with The University of Houston Procurement Technical Assistance Center (PTAC), where vendors can get help becoming certified and developing proposals. The website also guides vendors in scheduling an appointment with MD Anderson staff so as to receive further information and guidance.

The second phase of MD Anderson’s annual training for small diverse suppliers is a complimentary half-day workshop. Presented by PTAC in tandem with the HUB & Federal Small Business Program, the workshop instructs small diverse vendors in assembling solicitation responses and completing HUB subcontracting plans. MD Anderson provides PTAC with past proposals as sample case studies. Since an external partner offers the training and the sample proposal is for a contract that has already been awarded, this practice does not pose a conflict of interest for MD Anderson.

These real world examples give vendors insight into the bidding process and the intricacies of working with a major institution. Nimon explained the crucial value added by this program: “Rather than teaching suppliers to respond to a particular open proposal...the intent of the entire program is to help build capacity, increasing skill sets for success, not just with MD Anderson, but at any corporation.”



## IMPACT

	2015 HUB EXPENDITURES	2015 HUB EXPENDITURE GOALS
<b>Building Construction</b>	\$5.5M (9.9%)	\$6.2 M (10%)
<b>Special Trade Construction</b>	\$8.8M (14%)	\$7.8M (12%)
<b>Professional Services</b>	\$2.5M (47.2%)	\$1.5M (33%)
<b>Other Services</b>	\$23.6M (9.9%)	\$26M (10%)
<b>Commodities</b>	\$18.7M (2%)	\$24.8M (2.5%)

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# Parkland Health and Hospital System

DALLAS, TEXAS

## Anchor

- Parkland Health and Hospital System, public county hospital district
- Employees: 10,000
- Annual Spend on Goods and Services: \$486 million
- 2014 New Hospital Construction Project: \$1 billion<sup>1</sup>

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## Key strategies employed

- Create full-time staff position embedded within the supply chain division
- Require vendors to submit additional documents in bid
- Provide technical assistance and capacity-building training
- Collaborate with other anchors around shared demand
- Create forum for vendors to meet with purchasing decision makers
- Leverage contracts with large vendors and Group Purchasing Organizations (GPOs) to achieve procurement goals

### MISSION OF PROGRAM



Encouraging and growing supplier diversity is an important part of our strategy of providing the best value to our stakeholders, including the patients we serve and the taxpayers who support us. It is our goal to enhance and increase supplier diversity by engaging in mutually beneficial strategic business relationships with certified minority and woman-owned business enterprises (MWBs) at all levels of Parkland's Supply Chain. We are committed to equipping, empowering, and encouraging MWBs."<sup>2</sup>



## Overview

Based in Dallas County, Parkland Health and Hospital System (Parkland) is one of the largest public hospital systems in the country. Its flagship hospital is located in downtown Dallas and is the primary teaching hospital for the University of Texas Southwestern Medical Center. Because it is part of the county hospital district, it is subject to Dallas County regulations and codes, which includes a requirement for purchasing from minority- and woman-owned business enterprises (MWBE). Over time, Parkland has created its own supplier diversity initiative that goes beyond the county requirements. While Parkland's primary focus is on diverse purchasing, they also make a concerted effort to work with local and diverse vendors.

## Background

In 1999, Dallas County instituted an MWBE policy in the county code. Since Parkland receives county tax revenue, it must adhere to public procurement requirements, and Parkland's supplier diversity initiative was instituted at this time. Then, in 2007, health system leadership decided to hire a staff person to specifically manage the supplier diversity program and its focus on working with certified MWBE vendors. In 2013, a change in c-suite and board leadership elevated the program internally, shifting the focus from compliance to building a strategic business initiative. In describing this shift, Director of Supplier Diversity Indria Hollingsworth-Thomas explained: "we understood the changes coming with the Affordable Care Act and wanted to become a hospital of choice. Of course we provide great care, but also, [we should] build relationships. People do business with the people that they know." This shift in purchasing philosophy also coincided with a large capital expansion. In 2011, Parkland began construction on a new one billion dollar hospital facility. This represented an important opportunity to put these new supplier diversity priorities into practice.

The emphasis on relationship building and community presence facilitated increased linkages with local vendors. "If we're doing business with people locally in the community, they're able to employ more staff and offer insurance. When those people get ill, they're going to remember 'I received a contract from Parkland. This is where I want to go to get my health-care.' Our leadership saw that and took steps to ensure supplier diversity was elevated to such a level that across the board everyone was aware that these are the things that we needed to focus on," emphasized Hollingsworth-Thomas. For Parkland, local is defined as Dallas County, and after that the North Texas region, which mirrors the geography of Parkland's patient base. While Dallas County code prevents an explicit local preference because of rules around maintaining competitiveness, Parkland has still been able to develop procurement practices that facilitate local firm participation.

## Program set-up

Supplier Diversity is its own department at Parkland, embedded within the supply chain division, rather than within a broader diversity and inclusion office. The department has one full-time supplier diversity director, and a full-time MWBE contract compliance specialist. Additionally, Supplier Diversity partners with Parkland's Purchasing, Value Analysis, and Contracts departments to maximize inclusion of MWBEs at all levels of Parkland's supply chain. The process for encouraging participation by MWBEs is dependent on the expenditure threshold. For purchases under \$50,000, a request for quotes is all that is required, rather than a full fledged Request for Proposals (RFP) process, provided the specifications are simple. In this case, departmental managers contact the Office of Supplier Diversity, where staff pull from an internal database of potential certified MWBE vendors, selecting those that offer the good or service of interest. Each procurement opportunity must have at least one MWBE included in the request for quotes. In cases when there are plenty of MWBE vendors, the entire list can be sourced from this database. This is common in the areas of printing, promotional items, and



catering. Hollingsworth-Thomas explained that these are also areas where there are high levels of local capacity, and she works to provide departmental managers with local vendors on this list whenever possible.

Purchases that are between \$50,000 and \$200,000 must go through the formal RFP competitive bidding process. Although Parkland cannot include diversity preferences as part of the RFP process outright, they do require bidders to submit MWBE participation forms that state how they will meet supplier diversity. This ensures that vendors understand that supplier diversity is a priority for Parkland, and creates a mechanism for Parkland to track diverse sourcing success. Parkland can compare vendor performance to plan goals and use this as a scorecard when assessing future bids.

Purchases over \$200,000 require review from the board of managers, in addition to an RFP process. The review document submitted includes the amount of MWBE participation for that particular contract. “If a contract makes it to the board with limited MWBE participation, our board is very quick to question why there isn’t participation and what steps were taken to ensure there was MWBE participation solicited,” noted Hollingsworth-Thomas. This review process reflects the importance of supplier diversity to Parkland leadership, and incentivizes those soliciting bids to encourage and facilitate MWBE participation.

## Key strategies employed

### CREATE FULL-TIME STAFF POSITION EMBEDDED WITHIN THE SUPPLY CHAIN DIVISION

Hollingsworth-Thomas’ title is the “director of supplier diversity & ethical sourcing,” and the position is housed in the supply chain division. As she stressed: “What we have found to be a best practice is to have supplier diversity embedded in supply chain, because that is where the decisions are being made.” Positioning Hollingsworth-Thomas within the broader supply chain division ensures that all sourcing practices are in line with supplier diversity goals. She serves as a resource to individuals making purchasing decisions and can make strategic decisions about where to focus energy. For instance, Hollingsworth-Thomas explained that product preference can be a major barrier to getting individuals to switch vendors. However, because she works within the supply chain division and not in a separate department focused just on diversity, she is able to identify areas where product preferences are less strong and where shifts in spending can most easily be achieved.

Working with external actors is equally important as internal coordination. Hollingsworth-Thomas serves on the advisory boards of national and local supplier diversity organizations, which enables her to bring best practices and new vendor relationships back to the health system. She also regularly coordinates with supplier diversity professionals at other local institutions, often leading to new vendor relationships and coordination around difficult-to-find products.

### REQUIRE VENDORS TO SUBMIT ADDITIONAL DOCUMENTS IN BID

One of the principal strategies Parkland employs is engaging their tier-one vendors, or prime contractors, to subcontract with tier-two vendors who are diverse and local. This helps build the capacity of these tier-two firms so that eventually they will be able to bid on their own. Although Parkland cannot legally require companies to work with MWBE firms, in practice Parkland has ensured that diversity is a consideration in the bidding process. In contracts with tier-one vendors, each proposal submitted through the RFP process must include a completed MWBE second-tier participation plan. If a company does not include the plan, or if their efforts to include MWBE firms are deemed insufficient, the plan can be rated “unacceptable” and the bid can be deemed unresponsive. “We can say, you have to submit your participation plan, and if those forms aren’t acceptable then that gives us [the ability to] disqualify a company for not embracing our desire to make sure that we are including MWBEs in our procurement,” explained Hollingsworth-Thomas.<sup>3</sup> Although tailored to MWBEs in this example, it is feasible that other institutions could adopt similar policies for local vendor participation forms.



*Parkland Hospital and Health System facility completed in 2014.*

*Architect: HDR + Corgan @ 2014 Andrew Pogue*

## PROVIDE TECHNICAL ASSISTANCE AND CAPACITY-BUILDING TRAINING

Parkland has been able to grow local vendor capacity to satisfy supply chain gaps by phasing in contracts to help local businesses grow over time. As an example of this, Parkland needed a local durable medical equipment (DME) provider to supply medical equipment to patients being discharged from the hospital. Because many of Parkland's patients are uninsured or on Medicaid or Medicare, traditional retail options for these supplies are not always available to them. Additionally, many of Parkland's patients rely on public transportation. Having a DME provider in close proximity was an added convenience for Parkland's patients. Capitalizing on vacant space in a business park owned by Parkland, the hospital renovated the space and built it out for a local DME provider. Parkland then sold their inventory of DME to the vendor, allowing them to pay in installments.

Gradually, Parkland increased their business with this vendor. "We phased it in to make sure the vendor would be successful," explained Hollingsworth-Thomas. "Without this phased-in approach there's no way the vendor would have been able to handle an organization of this size." The business park is located in Dallas' medical district, enabling the vendor to serve other health systems in the district. Since their initial engagement with Parkland, the provider has added nineteen full-time jobs to their company. This partnership also offers substantial benefit to Parkland. Because the company has grown gradually, they have been able to adapt to Parkland's specific supply chain needs. "They are willing to work with us to improve operations," said Hollingsworth-Thomas. "Right now, we are looking at possibly bringing on a new category of DME and they are flexible and eager, because they want to do a good job with Parkland because if [they are] successful with us they can work with anyone."

Another way Parkland helps to build the capacity of vendors is by providing technical assistance around risk and insurance. A particular challenge in working with local and diverse vendors in construction is around bonding and retainage. These processes often require that contractors set aside a sum of the total payment until the end of the project, for assurance that the project will be completed. The scale of construction often requires bonding and insurance thresholds that smaller companies cannot afford. In order to address this, Parkland can break up large projects into components so that companies can bid on pieces of projects, lessening the bonding and insurance capacities required upfront. In addition, the Supplier Diversity department works with Parkland's Risk Management department to assess ways in which Parkland can absorb some of these cost burdens. When necessary, the department also provides technical assistance to vendors to help them understand the requirements.

### **COLLABORATE WITH OTHER ANCHORS AROUND SHARED DEMAND**

Although still in early stages, there are currently ongoing discussions about how to leverage the buying power of the six healthcare institutions in Dallas County to grow the capacity of the local MWBE community. Hollingsworth-Thomas emphasized that in her role she regularly meets with and communicates with her supplier diversity counterparts. The goal is to develop a supplier diversity consortium and coordinate purchasing among local healthcare institutions. For instance, rather than using separate lawn care providers, Hollingsworth-Thomas floated the idea of all institutions using one specific landscape provider in order to help a local MWBE vendor grow their capacity. Services such as landscaping, as well as professional services, are opportunities to combine purchasing with local vendors. Many local health systems already coordinate around supplier diversity: “all of those hospitals have MWBE programs, and we are constantly sharing information with each other when we’re trying to source goods and services,” said Hollingsworth-Thomas. This knowledge and expertise can be leveraged for growing local vendor capacity as well.

### **CREATE FORUM FOR VENDORS TO MEET WITH PURCHASING DECISION MAKERS**

One strategy Parkland employs to connect to local MWBEs is to host forums where local vendors are able to interface with the buyers and decision makers of a particular department. The departmental representatives will present on upcoming projects so that local businesses know what is coming down the pipeline. In addition to disseminating procurement opportunities, the forums help foster personal relationships between vendors and decision makers. Hollingsworth-Thomas explained: “The feedback has just been so positive, because they now have had the opportunity to meet with the decision maker. They didn’t have to meet with me first, or someone else in contracts who really can’t make the decision or really doesn’t understand the service they may be providing. They’re able to have a conversation with the person [from the relevant department].”

### **LEVERAGE CONTRACTS WITH LARGE VENDORS AND GROUP PURCHASING ORGANIZATIONS (GPOS) TO ACHIEVE PROCUREMENT GOALS**

Although Group Purchasing Organizations (GPOs) often drive purchasing away from local suppliers by the nature of their business model, which seeks volume at the lowest cost, some GPOs have addressed the growing demand from members to increase opportunities to work with MWBEs and local businesses. Parkland’s GPO, Vizient, has a supplier diversity program and is working with Parkland to source from more local vendors. For example, Parkland worked with Vizient to encourage the company to add a regional printing company to their contract portfolio. Today, not only does Vizient connect this regional business to Parkland, but they also connect them to other regional institutions they serve.



## IMPACT



**\$26M**

Mike A. Myers Sky Bridge,  
a project in which 100  
percent of the design and  
construction firms hired  
were owned by minorities<sup>4</sup>



**\$400M**

awarded to  
MWBE to date  
for New Parkland  
Construction



**\$13M**

contract awarded  
to local pharmacy  
prescription mailing  
services vendor



**\$12M**

contract awarded to  
local DME provider  
with 19 full-time  
jobs created



**\$2.25M**

contract awarded  
to local printing  
company

## CONTACT

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# Charleston Area Medical Center

## CHARLESTON, WEST VIRGINIA

### Anchor

- Charleston Area Medical Center
- Employees: 7,000
- Total spend: \$634 million

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## Key strategies employed

- Connect procurement activities to identified community health needs
- Focus on growing the local agricultural sector
- Partner with existing distributors and contractors
- Engage non-traditional partners

### MISSION OF PROGRAM



Build the Base of Local Growers Providing Fresh Herbs, Fruits and Vegetables to Charleston Area Medical Center.”<sup>1</sup>

## Overview

Charleston Area Medical Center (CAMC) is a nonprofit, regional referral and academic medical center based in Charleston, West Virginia, with a service area that includes nearly a third of West Virginia's 1.8 million residents.<sup>2</sup> Participating as part of the Local Foods Value Chain project, CAMC encourages regional wealth creation by supporting the local agricultural economy while providing hospital patients and employees with healthier food. Originally funded by the Ford Foundation and the Greater Kanawha Valley Foundation, CAMC continued to prioritize this project even after the initial funding period was over. This was motivated by CAMC's Community Health Needs Assessment, which identified unemployment and poverty and related illnesses connected to poor diets, such as coronary disease, as major community health needs.





*Courtesy of Charleston Area Medical Center*

## Background

The Local Foods Value Chain project was originally conceived as part of the Ford Foundation's WealthWorks Value Chain program. The Value Chain framework focuses on leveraging demand for goods to catalyze inclusive and sustainable supply chains that build wealth at all levels. The approach "offer[s] a practical way to build your stocks of local capital, increase local ownership and control of that capital, and improve livelihoods and upward mobility for people, places and firms within a region."<sup>3</sup>

In 2012, The Ford Foundation contacted the Charleston, West Virginia-based Greater Kanawha Valley Foundation about participating in the project, expressing particular interest in working with a hospital or health system. When approached with this opportunity by The Greater Kanawha Valley Foundation, Brenda Grant, the chief strategy officer at CAMC, immediately saw it as a "natural fit."

CAMC has a history of innovatively advancing community engagement and the community health needs assessment process. In 1995, the Kanawha Community Coalition for Community Health Improvement was founded. The coalition, which includes other area hospitals and providers, the state and local health departments, the United Way, the local Chamber of Commerce, the local school system, and other community organizations, guides the Community Health Needs Assessment process. According to Grant, this assessment had been conducted for several years prior to the Affordable Care Act was passed, which led to federal assessment requirements.

"We identify the top three issues through a community forum and then address those issues through community workgroups," she explained. Grant believes that key to the Coalition's success is the composition of the Steering Committee and the independent role of the executive director. The executive director position is supported two-thirds by CAMC, and one-third by its smaller competitor, Thomas Health System. "We knew that if the position was seen as a CAMC position...it wouldn't be effective." Because of the work of this coalition, CAMC recognized the link between the strength of the local economy and community health and well-being, further solidifying interest in the value chain project.



The first part of the project focused on knowledge acquisition. As Grant reflected: “We spent the first year of the project learning about value chains. It was a different thought process for us.” The value chain process focused on identifying “win-win” opportunities for the hospital and community, a process which, according to Grant, diverged markedly from their traditional approach to community benefits: hosting health fairs, organizing support groups, and distributing funds to support community programs. Instead, the Ford Foundation provided support for a facilitator who helped convene stakeholders and identify possible value chains. After nearly a year of background research about the value chain approach, CAMC decided to prioritize working with local growers to increase the goods the hospital purchased locally.

## Program set-up

The overall goal of the program is to help build the capacity of local growers to meet the produce needs of CAMC. This involves working with CAMC’s supply chain partners—its wholesale produce vendor and food service company—to shift practices that enable participation from local farmers. This also includes growing the capacity of local food producers in the region. In essence, CAMC serves as the convening force: bringing together supply chain actors to identify the barriers for local farmers and gaps in the chain, and then work with partners to fill those gaps.

A critical element to program set-up and staffing is the leadership and participation of The Greater Kanawha Valley Foundation. Grant explained, “In healthcare, we’re busy. I have lots on my plate. The Greater Kanawha Valley Foundation provided needed support such as scheduling meetings, and providing the meeting location space. A lot of those things that are time consuming but critical to success.”

The Greater Kanawha Valley Foundation also played the role of convener, making sure the right stakeholders were at the table. “They hired a facilitator for our first year to help us clearly define the project and after the first year provided a value chain coordinator, Megan Simpson, who is a program officer at the foundation. It was that kind of support...that really helped found this.” On CAMC’s end, Brenda Grant, along with Steve Perry, associate administrator of the supply chain, and Mike Marinaro, health system director of food services, all participate in and support this effort.

## Key strategies employed

### CONNECT PROCUREMENT ACTIVITIES TO IDENTIFIED COMMUNITY HEALTH NEEDS

One of the tenets of the value chain approach is that projects are driven by demand and established to address a real need for the participating institutions. CAMC did not just choose a product they already purchased, but rather one that would help them meet their mission to promote health and well-being. Specifically, CAMC chose to focus on fresh herbs as a means to make meals more flavorful without adding sodium and fat.

Heart disease is the leading cause of death in West Virginia, making cardiac care especially important. Brenda Grant explained that one of the first steps for cardiac patients at the hospital is a low-sodium, low-fat diet, but emphasized that this shift came with challenges: “Our patient satisfaction scores related to the food reflected dissatisfaction at having sodium and fat removed from meals.” The idea of purchasing local herbs and local vegetables to increase the quality and add flavor to food helped CAMC see the value chain initiative as a win-win, addressing patient concerns about food quality while supporting the local economy.

In addition to clinical health needs, the local food value chain is directly tied to CAMC’s larger Community Health Needs Assessment process. The initiative is framed as a means to promote regional health and well-being. Fostering local access to, and knowledge of, healthy food is an essential health intervention; and, growing the base of producers providing healthy food can help achieve this. But more importantly, the Community Health Needs Assessment process recognized unemployment and generational poverty as critical issues.

“Eighteen percent of people and 25 percent of children live in poverty with little improvement over the past ten years,” reads the Community Benefit Implementation plan. Historically, coal mines were one of the area’s major employers. Over the last fifty years many of the mines have closed, leading to high levels of unemployment. Grant explained this influence: “[Community members] tend not to want to leave their county, their community, and don’t have a lot of opportunities [to train for new jobs]...As a state, we’re struggling with how we shore up the entire economic viability of southern West Virginia.”

Thus, an explicit goal of the local food value chain project is to address this employment gap and actually grow the local foods sector in West Virginia. The Community Benefit Implementation Plan itself states “the wealth creation approach intends to improve the livelihoods of poor people by creating wealth that is owned, controlled, and reinvested in places.”<sup>5</sup> This plan also outlines the specific goals of CAMC, which are to: address obstacles and barriers, implement a locally grown food value chain, and increase the number of jobs for people in the community. The connection to the Community Health Needs Assessment process and the implementation plan ensures that CAMC is measuring impact. The metrics CAMC tracks include: the number of growers providing food to CAMC, the amount of produce purchased by CAMC, and the cost to CAMC.

### FOCUS ON GROWING THE LOCAL AGRICULTURAL SECTOR

The Greater Kanawha Valley Foundation writes that, “This project seeks to demonstrate that an agrarian culture can impact the economic transition of our region while providing access to and knowledge of healthy food to a population uniquely in need of such access and knowledge.” This broader vision of regional transformation, tied to community health goals, expands the reach and impact of the project. While the project will help CAMC meet their immediate goal of sourcing more fresh herbs and vegetables, over the long run they will also help to grow the local economy as a whole. This broader approach focused on the agricultural economy allows CAMC to address systemic barriers that local vendors face.

One of the major barriers for local vendors, which CAMC learned about through their initial research process, is not having food safety certification. In order to comply with food safety regulations, vendors must have Good Agricultural Practices (GAP) certification, which is issued by the United States Department of Agriculture. With CAMC providing guaranteed markets to vendors, the investment in certification is worthwhile. However, the certification process can be cumbersome and costly for new vendors. Thus, a key part of the program is helping local growers develop Food Safety Plans and earn certification. Along with offering a Food Safety Plan workshop, CAMC and its value chain partners worked with the West Virginia Department of Agriculture to improve the certification process and with The Greater Kanawha Valley Foundation to implement a small grants program to cover certification costs.

### PARTNER WITH EXISTING DISTRIBUTORS AND CONTRACTORS

CAMC recognized that a critical piece of implementing a supply chain strategy would involve their existing food distributors and contractors. CAMC had an existing contract with Morrison’s, a food contracting service, but Morrison’s was open to working with local vendors. Perhaps most important, CAMC’s local produce distributor, Corey Brothers, was also on board. “These folks were around the table from the beginning as we looked at the hand-offs—what will be required for this to happen, what kind of liability insurance is needed, all these kinds of things. We built from the ground up, and continued to get buy-in as we worked through this,” noted Grant. The partnership ensures that CAMC has the distribution infrastructure, and also necessary food safety expertise around GAP certification.

Working with their larger distributor also helps CAMC guarantee markets to local growers. The hospital recognizes that the current food demand far exceeds existing local supply. In essence, CAMC has committed to purchasing whatever is produced locally. They can promise a stable price, and then delegate to Corey Brothers the distribution logistics. In addition, Corey Brothers' larger distribution network provides local vendors with access to other markets for surplus produce. This also creates added security for the hospital, should local growers have any trouble meeting demand. Grant explained that in the first year of the program, two large growers lost their crops due to flooding. Corey Brothers averted the potential hospital food supply shortfall with produce from outside the state.

CAMC engaged other supply chain actors in the process to build up the local initiative. For instance, they worked with AVI, the company they contract with for their vending machines, to push local products. As a result, AVI has increased purchase and resell of West Virginia products by almost 100 percent.

Marinero has worked to distribute more local products throughout the hospital's food system. Their bread now comes from a local bakery that purchases wheat from a West Virginia grower. CAMC employees benefit not only from locally grown foods in the cafeterias, but also from a CSA program established with a local grower. Currently, over 150 employees participate and demand exceeds supply. Building from the initiative's success, CAMC is in conversation with other local purchasers and is working to connect them to local growers as well.

## ENGAGE NON-TRADITIONAL PARTNERS

CAMC recognized early on that connecting with local growers would require partnerships within the agricultural community, especially since food safety and GAP certification were critical to success. These partnerships included: the West Virginia Commissioner of Agriculture, the West Virginia Extension office, the Department of Agriculture staff overseeing certification processes, as well as the growers themselves. "When we invited those folks to the table, I honestly did not think anybody would come...[but] we had twenty-five to thirty people at that meeting," Grant remembers. "There was a lot of interest and when I asked them, 'Why did you come?' they shared that they appreciated the fact that a large institution was willing to invest the time, energy and effort in this project."

These partnerships proved critical to the success of the program. During early partnership meetings, local farmers shared that the classes required for GAP certification were not held often enough, or were offered at inconvenient times. CAMC then worked with the Department of Agriculture to increase the number of classes provided. Another bottleneck identified was the inspection process. One person was in charge of certifying farms in the state, and the fees to growers were sometimes a barrier. As CAMC and the planning team became more knowledgeable about the process, improvements were made, both to the process as a whole and to the methods for communicating with growers. For example, to decrease the transportation costs associated with the certification process, the Department of Agriculture would bring the person in charge of certification to Charleston, so the growers would only have to pay for the travel from Charleston. "We've worked really hard to make that more convenient for the farmers," detailed Grant.

A third challenge was the absence of an aggregator to process produce. Herbs, the catalyst for the project, require significant processing. There was not an existing facility to wash and process herbs and vegetables, so growers without their own processing facilities had difficulty providing these goods to the hospital. However, the county extension agent in a neighboring county opened a processing plant, where growers could rent space. In addition, due to the demand established through the CAMC program, another local processing facility and aggregator is now available through the Kanawha Institute for Social Research & Action.



## IMPACT



23%

of CAMC's spending  
on food went to local  
produce in 2014



8x

increased spending on  
local food between June  
2014 and September 2015

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# Chicago Anchors for a Strong Economy (CASE)

## CHICAGO, ILLINOIS

15 anchor institutions members, including 4 healthcare institutions

### Advocate Healthcare

- Employees: 35,000
- Annual spending on goods and services: \$1 billion<sup>1</sup>

### Northwestern Medicine

- Employees: 27,500
- Annual spending on goods and services: \$973 million<sup>2</sup>

### Rush University Medical Center

- Employees: 10,000
- Annual spending on goods and services: \$500 million<sup>3</sup>

### The University of Chicago Medicine

- Employees: 9,000
- Annual spending on goods and services: \$375 million<sup>4</sup>

## Key strategies employed

### Anchor institution strategies

- Invest in data infrastructure
- Embed local and diverse goals into Requests for Proposals (RFPs) and contracting processes
- Promote local business incubation and expansion

### Anchor network strategies

- Encourage and support anchors in their local procurement and workforce development initiatives (primary goal)
- Support business development and neighborhood development (secondary goal)

### MISSION



CASE will act as a catalyst to create inclusive economic growth by leveraging anchor institution buying, hiring, and investment to collectively impact Chicagoland neighborhoods.”

### CASE aims to create inclusive and sustainable economic growth in the region by

- fostering strategic relationships between anchor institutions and local businesses;
- infusing new revenue and jobs into the regional economy through a focus on neighborhoods; and,
- leveraging and building upon the existing business ecosystem to empower local businesses.



*CASE roundtable with representatives from participating anchor institutions.*

*Photo provided by Chicago Anchors for a Strong Economy*



*CASE workshop.*

*Photo provided by Chicago Anchors for a Strong Economy*

## Overview

Founded in 2014, Chicago Anchors for a Strong Economy (CASE) is an initiative housed at World Business Chicago, a unique public-private partnership that engages business and community leaders in advancing Chicago's Plan for Economic Growth and Jobs. CASE is a network of Chicago's major public, private, and nonprofit institutions committed to using their buying, hiring, and investment power to promote local economic growth. CASE takes a systemic approach to this work; they build the capacity of the local business community to meet anchor demands and connect businesses that have been vetted as capable suppliers to these institutions.

They have fifteen anchor institution members, including four hospitals and healthcare systems: Advocate Healthcare, Northwestern Medicine, Rush University Medical Center, and The University of Chicago Medicine. CASE estimates that, since inception, it has facilitated connections leading to \$46.7 million in revenue committed to local businesses through multiyear contracts, and nearly \$10 million of the revenue has been realized. A total of 132 new jobs are projected through these contracts, with 92 created to date.<sup>5</sup>

## Background

Conceived in 2013 and launched in 2014, CASE is supported through annual contributions from participating anchors and funding from the Polk Brothers Foundation. The initiative emerged from an imperative to complement Chicago's patterns of traditional economic development—through business attraction—with a focus on inclusive economic growth. The new dual-strategy approach realized at CASE prioritizes scaling local capacity to seek the greatest benefit of economic multipliers from local spending.

After hiring their first executive director, Nitika Nautiyal, CASE went through a yearlong review and planning process to understand current practices and reevaluate for the future. CASE then refocused on becoming a demand-driven program by adopting a data-driven approach and prioritizing relationship building with anchors and community partners.

The first year after the review, CASE focused on a number of key strategies, one of which was mapping the existing business community. Chicago, like many cities, has many business assistance providers. CASE leadership asked: what services are already being provided in the Chicago area that we can leverage for this effort? What will set us apart from these? And how can we build partnerships with service providers without being duplicative?

From this mapping exercise, it became apparent that CASE's core function should be making connections with anchors. Relatedly, leadership determined that they should forge partnerships with strategic community partners rather than offering their own programming. Two partners they currently work with are the Goldman Sachs 10,000 Small Businesses program and the Inner City Capital Connections.

## Program set-up

CASE initially concentrated on providing training and capacity building to small businesses. They have since pivoted to the core priority of convening the anchors. To do this, CASE must first understand and coordinate the anchors' individual needs; they then work to create momentum for local purchasing initiatives. Each anchor institution is encouraged to develop their own set of strategies and staffing to implement the initiative and use CASE as a resource for connecting to local businesses.

This case study focuses on the strategies employed by one participating anchor institution—the University of Chicago—as well as those employed by CASE itself, to grow and scale local purchasing efforts.

## ANCHOR INSTITUTION STRATEGIES

### Featured Anchor: University of Chicago

#### INVEST IN DATA INFRASTRUCTURE

Alyssa Berman-Cutler, the director of business and workforce development at the University of Chicago (UChicago), explained that a critical first step for their local purchasing initiative was to assess their existing spend in the surrounding community. Realizing their data systems were not designed to provide this information, they contracted with an outside vendor, U3, to “scrub” their data to identify key statistics and trends. UChicago is now investing in developing a more robust data system to better collect and analyze their data in-house.

One challenge UChicago initially faced was the difficulty of tracking the different procurement processes throughout the institution, given uneven data collection and coding processes. For example, in their old system, employee reimbursements were often recorded as payments spent in the zip code where the employee lived, even reimbursements for goods purchased elsewhere.

Through their study of their data and data processes, UChicago realized that having a more in-depth understanding of current procurement processes would allow for the creation of data infrastructure able to accommodate tracking across the institution, which would, in turn, facilitate easier reporting. Another important aspect of the data process was developing partnerships with local agencies and chambers of commerce, in order to connect to and better understand the area's business ecosystem.<sup>6</sup>



## **EMBED LOCAL AND DIVERSE GOALS INTO REQUESTS FOR PROPOSALS (RFPs) AND CONTRACTING PROCESSES**

Another strategy UChicago uses is to include local sourcing provisions in their RFPs. For example, in a recent RFP for a new dining services provider, they included an increased spend requirement for local businesses. This enables UChicago to ask supply chain integrators to adjust their practices to meet local goals up front, rather than negotiating with distributors after proposals have been developed. Local spending becomes a component of the contracting process, and firms are held accountable for their performance in this area, just as they are for meeting price points and product quality. Along with this strategy, UChicago is also adding provisions to RFPs that encourage companies undergoing expansion to look into locating facilities in particular Chicago neighborhoods.<sup>7</sup>

## **PROMOTE BUSINESS INCUBATION AND EXPANSION**

Local sourcing is especially strategic for institutions when used to fill existing supply chain gaps because it allows local businesses to develop custom products or distribution processes based on the institution's particular needs. In addition to communicating supply chain needs to existing businesses, institutions can work to incubate or scale local businesses to fill these gaps. This is a key strategy employed by "UChicago Local," the live, buy, and hire local initiative of University of Chicago's Local Business Accelerator Program.

Under this initiative, UChicago has partnered with Next Street, a consulting firm focused on economic development through small business, to implement the program. The program will include space for five local business owners from specific Chicago neighborhoods. Next Street, with funding from the Surdna Foundation, provides small business support and technical assistance to program participants. The focus of the technical assistance is tailored to doing business with UChicago.<sup>8</sup> In the most recent iteration of the program, participants included a local janitorial firm, a produce dealer, and a nonprofit developing a social enterprise to manufacture plastic cutlery.

## **ANCHOR NETWORK STRATEGIES**

CASE strategies are organized into four main functions: procurement, workforce development, business development, and neighborhood development. Procurement and workforce development functions are the primary foci, while business and neighborhood development are secondary.

## **FOCUS ON PROCUREMENT AND WORKFORCE DEVELOPMENT (PRIMARY GOAL)**

### **Procurement**

CASE programs focus on increasing local and diverse purchasing by conducting targeted matchmaking to link vetted businesses with contract opportunities at anchor institutions. It achieves this goal by thoroughly understanding existing anchor institution supply chain demand by completing an in-depth analysis of existing spending, identifying upcoming contract opportunities, and sharing best practices in local purchasing. CASE also employs a diagnostic tool, developed in partnership with Next Street, to create a pool of vetted, anchor-ready businesses. This reduces inefficiencies that would occur were each anchor institution to do its own due diligence.



## **Workforce Development**

As local firms increase their business with anchor institution customers, CASE also partners with local workforce development intermediaries and agencies to ensure that candidates from underserved, low-income, and minority Chicago area neighborhoods are positioned for employment opportunities. Additionally, CASE seeks to increase opportunities for these residents with anchor institutions through direct employment, either with institutions individually or through collective processes. CASE will also work with anchor institution supply chain managers to ensure that local and diverse hiring clauses are included in contract language for local businesses and supply chain integrators.

## **SUPPORT BUSINESS AND NEIGHBORHOOD DEVELOPMENT (SECONDARY GOAL)**

### **Business Development**

To more effectively connect existing local businesses with anchor institution supply chains, CASE assesses a business's capacity and readiness to fulfill institutional contracts and recommends resources to help improve local business capacity. CASE uses a proprietary diagnostic tool to assess a business's capacity and readiness to fulfill contracts with member anchor institutions and recommend the best-fit resource to help the business. To connect businesses to these resources, CASE implements such activities as:

1. Partnering with community-based organizations that provide business assistance and workforce development services
2. Providing one-to-one direct business advisory services to businesses on specific challenges in working with large institutions in areas that existing community partners do not currently offer programming
3. Collaborating with business development efforts in the City to support businesses considering expansion and relocation to Chicago due to a new or expanded contract from an anchor institution

### **Neighborhood Development**

CASE aims to understand, identify, and implement anchor institution priorities across Chicago area neighborhoods by creating customized action plans with engagement from senior level leadership at anchor institutions. These action plans will build upon the institutional priorities for the anchors within their geographic areas of focus. The action planning process will be informed by neighborhood scans, resource mapping, and community needs to help identify high impact projects.

The above strategies are implemented through an evolved CASE approach referred to as the Project Platform Model. In this approach, CASE acts as a platform that supports its stakeholders to accomplish their institutional goals. The platform develops, organizes, and shares data, best practices, relationships, suppliers, and other resources with members. The goal is to create "shared utilities" that are helpful to members and that also help CASE achieve its objectives.

Ultimately, the platform approach should help to create economies of scale and increase efficiencies in accomplishing both CASE and member objectives. With the platform, CASE leadership believe they will be uniquely positioned to serve as a direct supporter of critical, high impact projects that line up with their mission and are advanced by stakeholders (most notably, anchors) across the Chicago area.



## IMPACT



15

anchors



230

businesses  
assisted



\$46.7M

in revenue  
to Chicago  
businesses



92

jobs created,  
with 40 more  
projected<sup>9</sup>

## CONTACT

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<sup>1</sup> Employment and procurement data provided by institution

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<sup>5</sup> World Business Chicago, "Chicago Anchors for a Strong Economy 2015 Annual Report."

<sup>6</sup> Alyssa Berman-Cutler, interview by David Zuckerman and Katie Parker, February 18, 2016.

<sup>7</sup> Alyssa Berman-Cutler, interview by David Zuckerman and Katie Parker, February 18, 2016.

<sup>8</sup> Alyssa Berman-Cutler, interview by David Zuckerman and Katie Parker, February 18, 2016; The University of Chicago Office of Civic Engagement, "Chicago Local Business Accelerator Program," accessed July 2016, <http://civicengagement.uchicago.edu/anchor/economic-impact-and-jobs/uchicago-local-business-accelerator-program/>.

<sup>9</sup> World Business Chicago, "Chicago Anchors for a Strong Economy 2015 Annual Report."

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# Strategies

For an **infographic** outlining these strategies, go to [hospitaltoolkits.org/purchasing/infographic](https://hospitaltoolkits.org/purchasing/infographic)

## → Creating Connections

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“Connection strategies” are tools that focus on connecting existing local and diverse vendors to contracting opportunities within your institution. Often, traditional procurement practices create barriers for local and diverse vendors—even cost-competitive local and diverse vendors. Adjusting internal practices to facilitate connections with local vendors not only shifts procurement dollars in a way that fosters local employment, which in turn promotes community health, but it also grows these businesses over time, allowing for a more responsive and resilient supply chain.

### CRITICAL STRATEGIES

#### Core elements of localizing your spend

- Shift from lowest price to best value
- Establish local and diverse spending goals and benchmarks
- Embed local and diverse goals into Requests for Proposals (RFPs) and contracting processes
- Conduct outreach and education on how to work with the health system

### PROGRAM DESIGN STRATEGIES

#### Best practices for establishing a buy-local initiative

- Focus on “moveable spend”
- Leverage upcoming construction and capital expansion projects
- Align with other strategic initiatives, such as sustainability efforts
- Unbundle contracts and carve out opportunities for new diverse and local vendors
- Create a full-time coordinator role

### PARTNERSHIP STRATEGIES

#### Tools to scale local purchasing efforts

- Develop partnerships with the local business community
- Leverage long-term contracts with distributors, aggregators, and contractors to achieve procurement goals

## 1 Critical Strategies

### Core elements of localizing your spend

#### SHIFT FROM LOWEST PRICE TO BEST VALUE

Prioritizing lowest price without other considerations may mean overlooking the good or service that could provide the best value overall. An important part of establishing a local and diverse spending initiative is to articulate the other inputs and values that matter. Price is one of these considerations, but so are quality, flexibility of vendors, proximity of high-need goods, alignment of business and hiring practices, and promoting community health. Steve Standley, the chief administrative officer at University Hospitals (UH) in Cleveland, Ohio, described how firms should also be in alignment with a healthcare system's mission: "What we're doing here is we're saying we need to pick vendors that carry out what we're trying to do ourselves."<sup>1</sup>

Many traditional supply chain practices go against this ethos, and instead value—over all other considerations—lowest price and risk, and aggressive negotiation. As Standley described it: "The old school culture in procurement is to be a 'tough negotiator'...That's one of the cultural biases that affects creating value-based partnerships with vendors. There's the old school buyer beware methodology."<sup>2</sup> In response to this entrenched culture, any initiative should evaluate how to develop new norms and incorporate the broader health system values into the purchasing process.

An example of a successful institutional cultural shift in health systems is the environmental purchasing movement. As knowledge about the toxins in healthcare products increased, hospitals recognized the need to buy products free of toxins, carcinogens, and other hazardous material. Environmentally Preferable Purchasing (EPP) is now an established norm within healthcare, and many supply chain actors such as Group Purchasing Organizations (GPOs) have shifted their practices to accommodate this and offer environmentally friendly options.

Even if price is lower for non-environmentally friendly projects, supply chain managers now assess the total cost of materials, from production to disposal. Moreover, given hospitals' missions to foster health, many see EPP as mission-critical.<sup>3</sup> The EPP movement provides a model for incorporating values beyond price into supply chains, and demonstrates that lowest price does not necessarily produce the best long-term value.

#### ESTABLISH LOCAL AND DIVERSE SPENDING GOALS AND BENCHMARKS

What gets measured gets valued. New initiatives like local and diverse spending, part of efforts to shift values and cultures, require goals and benchmarks. Supply chain managers are traditionally rewarded for staying under budget, which can remove the incentives for building relationships critical to achieving local and diverse spending. Establishing goals and benchmarks—and then holding managers accountable to these goals—are essential steps for leadership to institutionalize local and diverse purchasing. Doing so sends a clear message to staff that procurement initiatives are not simply one-off projects, but a new way of doing business.

#### Setting Goals

Setting goals is not only important from an accountability standpoint, but also from a process standpoint. Establishing realistic and meaningful goals necessitates understanding an institution's historic and current spend, upcoming contracting opportunities, and the capacity of the local business community to compete for these contracts.

Moreover, it involves examining the supply chain as a system, with interlocking components and processes, and understanding who and what guides purchasing decisions across the institution. It also requires an explicit definition of local and diverse spending so that metrics can be adequately tracked and reported. To review resources for defining these terms, refer to the *Big Questions* section of this toolkit.

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**"What we're doing here is we're saying we need to pick vendors that carry out what we're trying to do ourselves."**

Steve Standley,  
University Hospitals

It is not uncommon for this process of research and internal planning to take up to a year. Some institutions, such as Grady Health System (Grady) in Atlanta, Georgia and University of Chicago in Chicago, Illinois, hired outside research groups to help them analyze and understand their spend data.<sup>4</sup> Others, such as UH utilized existing staff expertise.<sup>5</sup>

Regardless of the approach, time and resources should be dedicated to this initial data “scrub.” It is also important to make sure that health system data systems can track and report on metrics—such as location of a vendor—and a standardized process is established about how data will be entered. For example, deciding whether to enter business addresses based on physical address or the owner’s address will make a big difference in an institution’s ability to track whether a business is locally owned or just locally operated.

In addition to historic and current spending, realistic goals also require knowledge of the local business ecosystem. This includes the existing vendor base, local minority chambers of commerce, economic development agencies, business incubators, and other local vendor support organizations. For more information about measuring baseline spend and mapping the local business ecosystem, refer to the *Laying the Foundations* section of this toolkit.

### Communicating goals and creating accountability

To shift the culture of the organization over time and create accountability, it is important that everyone is made aware of new goals and encouraged to take ownership of them. Although many purchasing decisions are decided by supply chain staff, individual department managers can control smaller transactions, such as catering, office supplies, printing, working with staffing agencies, etc. These can be some of the easiest areas to find local and diverse firms, so it is important that these budget holders are also held accountable to the institutional goals.

“[Those department managers] just go to google,” explained one supplier diversity professional, pointing out that the departmental budgeting process represents an important opportunity to incorporate local and diverse suppliers. Robust internal education efforts about purchasing goals will help facilitate both practice and culture change. It can also help if internal purchasing systems are modified to at least “flag” electronically who is a local or diverse supplier. Often individuals will respond to these cues, but only if they are readily accessible and visible.

An example of a robust internal education system is at Duke University Health System in Durham, North Carolina. Mary Crawford, Duke’s director of procurement programs, described their process to develop internal awareness: “We have an award-winning program, but there are still people who aren’t aware of our efforts. Some misconceptions exist in this area; we’ve learned that frontline staff who often make daily purchasing decisions have concerns about changing vendors and need some extra outreach and education.”

Her department is working to develop a video presentation that will be shown at all the business manager meetings. The video showcases health system leaders speaking about the importance of supplier diversity goals and features stories from diverse vendors. “The plan is to make this an interactive conversation in small groups—two presentations per month—which will touch a lot of our decision-making staff. Leadership support is imperative but getting the daily decision makers on board is also needed to drive positive change,” Crawford emphasized.<sup>6</sup>

Another best practice for communicating goals is to make them public. Publicly shared goals create a degree of accountability to the community, and can help bring partners to the table. HopkinsLocal, an effort by Johns Hopkins University and Health System in Baltimore, Maryland, employs this strategy to leverage business practices to support inclusive economic development.

The initiative sets out to increase spending on goods and services with local businesses by six million dollars in three years and promised to publicly report on progress on a regular basis. “That’s going to be extremely critical, because we are now going to be held accountable to our words,” explained Kenneth Grant, the vice president of both general services and of the supply chain. Grant explained how the public goals gave the effort greater credibility with stakeholders and marked a change in the overall perception of the institution in the community.

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**“Leadership support is imperative but getting the daily decision makers on board is also needed to drive positive change.”**

Mary Crawford,  
Duke University  
Health System

Accountability mechanisms can be created within the institution to ensure that progress is regularly assessed and reported. Many institutions have developed dashboards or scorecards that allow them to report progress to leadership. One best practice is to tie reports to performance incentives for both leadership and program staff.<sup>7</sup>

"It starts at the top with direct alignment," explained Todd Gray, the director of supplier diversity at Grady. "The CEO is the top champion, and he has been supportive of me implementing department level goals that are measured annually. Different departments have different goals, and achieving goals can lead to increased compensation."<sup>8</sup>

A similar reporting strategy is employed by CHRISTUS Health in Irving, Texas. Manager of Supplier Diversity Contracting Tim Martin, described the development of this reporting process: "Two years ago the decision was made to add supplier diversity to the company operational dashboard. That particular dashboard is published on a monthly basis to all the regional CEOs...Every supply chain associate has a performance evaluation for compensation and they have to meet certain indicators. Supplier diversity is part of that. There's a goal for each person. As for the CEO dashboard, that is directly tied to their bonus package."<sup>9</sup>

## DECODING ANCHOR SUPPLY CHAINS for INCLUSIVE ECONOMIC GROWTH

NIM CHINNIAM, JEFF HORNSTEIN, JOHN ROGERS, ROBERT WEISSBOUD, OMAR BLAK



World  
Business  
Chicago

CASE



the sketch effect!  
VISUAL COMMUNICATION SOLUTIONS

A graphic recording from the panel "Leveraging Partnerships to Accelerate Small Business Impact" from Chicago Anchors for a Strong Economy's (CASE) inaugural conference on October 14, 2016. Graphic by Sketch Effect and provided by CASE, [www.worldbusinesschicago.com/collectively-impacting-economic-development/](http://www.worldbusinesschicago.com/collectively-impacting-economic-development/)



## EMBED LOCAL AND DIVERSE GOALS INTO REQUESTS FOR PROPOSALS (RFPs) AND CONTRACTING DOCUMENTS

A key strategy to realize diverse and local spending goals is to embed them within purchasing practices and policies, from soliciting bids to evaluating contract performance. Including local and diversity goals in RFPs provides institutions a formal framework for considering these factors. Moreover, it can help institutions leverage other supply chain actors—supply chain integrators, GPOs, distributors, dining contractors, and other large vendors—to meet local and diverse procurement goals.

Often seen as major barriers to local procurement, it is important to realize that these organizations are providing business services to health systems, and thus have a business need to be responsive to their clients. Building these requirements into RFPs and contracts communicates that these values are a priority.

### Step one

Require participation of diverse and local firms in bidding process.

### Step two

Add language around local and diverse procurement to RFPs and contracts.

### Step three

Communicate these priorities to supply chain integrators and hold them accountable.

### Step one — Require participation of diverse and local firms in bidding process.

One initial step to ensure that local and diverse vendors are connecting with the institution is to mandate the participation of these vendors in the bidding process. Parkland Health and Hospital System (Parkland) in Dallas, Texas requires that at least one minority- or woman-owned business enterprise (MWBE) participate in every solicitation, provided this is a feasible option.

This ensures that all supply chain managers engage with the Supplier Diversity Department to meet this requirement. “Make sure that every opportunity you have you try to touch at least one diverse supplier to participate in that space,” Indria Hollingsworth-Thomas, director of supplier diversity, tells supply chain managers.<sup>10</sup> Cincinnati Children’s Hospital in Cincinnati, Ohio has adopted a similar policy.<sup>11</sup>

Setting a minimum requirement in itself is not enough. Partnerships are indispensable; circulating bids through local minority chambers of commerce, local supplier diversity councils, economic development agencies, and business support organizations is a best practice for soliciting bids from diverse suppliers. Another best practice is to post bidding opportunities publicly online, and to post them ahead of time so that vendors have adequate time to prepare.

### Step two — Add language around local and diverse procurement to RFPs and contracts.

This step allows the supply chain team to evaluate bids based on whether vendors have met these requirements for local and diverse vendor participation. It also requires vendors to report on their performance. Grady used this strategy to encourage large vendors to subcontract with minority firms.

“I partnered with legal and procurement to put goals into our RFP template to achieve tier-two diversity goals,” explained Gray, the director of supplier diversity. “Put the goal in the solicitation and require that plan in the solicitation response, and then work their plan into the contract,” advised Gray. He added, “our contract template includes our supplier diversity goals.”<sup>12</sup>

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Partnerships are indispensable; circulating bids through local minority chambers of commerce, local supplier diversity councils, economic development agencies, and business support organizations is a best practice for soliciting bids from diverse suppliers.



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**“The [MWBE’s] then get an opportunity to ask questions and have face-to-face time with the actual decision maker that, under normal circumstances, they probably wouldn’t be able to talk with.”**

Indria Hollingsworth-Thomas, at Parkland Health and Hospital System

UH wrote the goals of their Vision 2010 project into their contracting language and RFPs. “It can be written into the RFPs on the specific project. One example is our Rainbow Center for Women and Children. In the RFP we required that the vendor offer an internship program and hire interns from the community,” explained Mary Beth Levine, vice president of system resource management at UH.<sup>13</sup> For sample RFP and contract language, refer to the More Resources section of this toolkit online.

Some public institutions face barriers to changing RFP and contracting language to require participation of local vendors, as this is perceived as making the bid less competitive. One way to address this is to require documentation in RFPs of what the vendor’s plan for diversity and local purchasing would be. This strategy is utilized by Parkland.

Since Parkland is funded by the county, it cannot give explicit preference to diverse firms. It can, however, require that vendors submit minority-business participation forms, and then evaluate overall performance based on whether goals for minority participation were met. It thus becomes one component of the evaluation of how well a business delivers on diverse and local vendor goals—an evaluation that is taken into consideration when businesses apply for future contracts with the health system.<sup>14</sup>

### **Step three —**

**Communicate these priorities to supply chain integrators and hold them accountable.**

Writing local and diverse goals into RFP and contracting documents helps ensure that larger supply chain partners are purchasing in accordance to health system guidelines. It is important to realize that these supply chain partners— GPOs, distributors, dining contractors, and other large vendors—work for the health system, and could work to accommodate purchasing goals and align with the values of the institution. Alyssa Berman-Cutler, director of business and workforce development initiatives at University of Chicago, described how they wrote an increased local spend requirement with local businesses into the RFP for a new dining provider.<sup>15</sup>

“Supplier rationalization and group purchasing trends can be prohibitive to local and smaller diverse suppliers at the onset, but they also create one of the greatest areas of opportunity for suppliers to grow their capacity,” explained Gray about their approach at Grady. “They are contracted to us, so we put our goals in up front and have active engagement to ensure they are reviewing all activities for potential supplier diversity opportunities.” However, writing these into RFPs and contracting language only works if an institution is soliciting a new contract. For existing vendors already in long-term contracts, an important strategy is leveraging contract renewals, as discussed below.

## **CONDUCT OUTREACH AND EDUCATION ON HOW TO WORK WITH THE HEALTH SYSTEM**

One of the major barriers to local vendors is simply a lack of knowledge of how to do business with a health system. Because of healthcare specific requirements and their sheer scale, health systems can seem daunting to vendors. One key step is to ensure that information about how to work with the institution is readily accessible.

For example, a clear vendor portal for interested suppliers that contains contact information, vendor requirements, and other essential information is critical.<sup>16</sup> Cleveland Clinic in Cleveland, Ohio has focused on communicating this information to the local minority business community and making key processes, such as response time and the review process, significantly more transparent.<sup>17</sup>

In addition to providing information online and to partners, institutions can also host in-person meetings and information sessions to provide more detailed information to vendors. These meetings connect vendors directly to decision makers. CHRISTUS is implementing this strategy by hosting regional diversity summits where local firms are invited to learn more about CHRISTUS and what is required to do business with the institution.

“[We will focus on] how we can assist them in being better businesses. We are collaborating with local minority business councils and local women-owned business councils to plan the

structure of each visit,” explained Martin. Although the program supports vendors nationally, local spending and regional events ensure that local, diverse vendors are brought into the initiative.

In-person events also connect local vendors directly to decision makers. Parkland uses this strategy, and hosts forums in which diverse firms can meet directly with that particular department head. Indria Hollingsworth-Thomas described the implementation of this within the Information Technology (IT) department: “For example, we’ll bring in the CIO [Chief Information Officer] or the contract administrator for IT...they will present projected upcoming projects to give those MWBE’s an understanding of what may be coming down the pipeline. The [MWBE’s] then get an opportunity to ask questions and have face-to-face time with the actual decision maker that, under normal circumstances, they probably wouldn’t be able to talk with.”



## 2 Program Design Strategies

### Best practices for establishing a buy-local initiative

#### FOCUS ON “MOVEABLE SPEND”

Certain categories of spend are easier to procure locally than others. By starting programs with a focus on these spending categories, institutions can refine and institutionalize processes to further facilitate local spending. Moreover, “easy wins” can help to build momentum for the program.

#### Suggestions for first places to start include

- Construction
- Facility services
- Janitorial services
- Distribution
- Printing
- Food
- Information technology
- Advertising & graphic design
- Energy efficiency & renewable energy

Another factor to consider is the degree to which personal preference factors into purchasing decisions. “Look at areas where people wouldn’t notice if you switched vendors. Preference is a major barrier,” explained Indria Hollingsworth-Thomas, director of supplier diversity at Parkland Health and Hospital System in Dallas, Texas.<sup>19</sup>

Steve Standley, chief administrative officer at University Hospitals in Cleveland, Ohio, echoed a similar sentiment, emphasizing that it is strategic to focus on products where people do not have a brand preference, which tends to be the case with more specialized medical supplies. Concentrating on goods and services that are “brand agnostic” can be an easier sell—for example, categories such as pharmacy distribution, kits and tray distribution and surgical decontamination.

These same categories are also advantageous for another reason: There are clear benefits to having these critical services localized. As Standley points out, “If there’s a snowstorm, I can still get the supplies. If they were going to come from Chicago, it’s a different story.”<sup>20</sup>

Spend that appears to be unmovable because it is locked in contract for a number of years should still be incorporated into planning. Part of the initial data scrub should be to identify when lead contracts will come up and which are most strategic to source locally.<sup>21</sup> The interim time can be used to conduct research, vet possible vendors, and even engage in business incubation. Having this longer term approach can help sustain efforts after the easier switches happen.

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**“Look at areas where people wouldn’t notice if you switched vendors. Preference is a major barrier.”**

Indria Hollingsworth-Thomas, at Parkland Health and Hospital System

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Capital expansion projects also tend to coincide with strategic planning, and thus also represent a point at which leadership can articulate goals and vision around shifting purchasing practices.

## LEVERAGE UPCOMING CAPITAL PROJECTS AND CONTRACT OPPORTUNITIES

Construction projects, and other large capital expansion initiatives such as renovations, are prime opportunities for growing a local and diverse spending initiative. Not only is this a key area of relatively easily “moveable spend”, but there are many best practices from healthcare and other industries to encourage participation of diverse and local vendors in construction projects. Moreover, setting ambitious local and diverse spending with large projects, which can be very public and likely require consent from a public entity, can be an important way to increase community support. Capital expansion projects also tend to coincide with strategic planning, and thus also represent a point at which leadership can articulate goals and vision around shifting purchasing practices.

The Medical University of South Carolina (MUSC), based in Charleston, South Carolina, utilized this strategy. They leveraged a construction project to double-down on their commitment to working with diverse vendors, focusing on those based in South Carolina. In 2014, MUSC announced a \$350 million dollar project to construct a new children’s hospital and women’s pavilion. Leadership immediately recognized the procurement opportunities this project could offer to minority- and women-owned business enterprises (MWBEs), from the construction itself, to information technology contracts, to the sale of equipment.

MUSC emphasized that these opportunities would set a new standard of doing business with MWBE and local vendors. After a vendor outreach event focused on the project in October 2014, Regine Villain, MUSC chief supply chain officer, emphasized this, stating in a press release: “It was also important to reach outside MUSC to get the input and participation from key community stakeholders. MUSC has tenure within the community; it was only right to continue to promote local and minority vendors. We recognized that we needed to reach out to minority vendors and let them know: ‘We want to know what you do.’”<sup>22</sup>

The construction bid was awarded to a construction management team made up of a national building firm, a local firm, and a local MWBE firm. In their bid, the firm included a provision that 30 percent of the contract would go to MWBE and/or small businesses. The MWBE in the management company then hosted an eight-week training program, which included general business development capacity building and specific information about the procurement process. Fifty small MWBEs participated. This process then enabled the firm to do matchmaking between these businesses and larger construction vendors, so that they could be in compliance with the 70/30 percent breakdown in contracts.

Anton Gunn, the executive director of community health innovation and chief diversity officer at MUSC, emphasized the importance of these contracting partnerships for building future capacity. For instance, the project had over \$10 million in contracts for dry wall. Although the prime vendors bidding on the project were not minority-owned, they were encouraged to partner with minority-owned construction firms who had never done health-care in the drywall space. This mentor-protégé approach would ensure that minority-owned construction firms were poised to take on future contracts with the health system, after the completion of the project.<sup>23</sup>

Another health system utilizing this strategy of leveraging upcoming capital projects is University Hospitals in Cleveland, Ohio. For more information about this example, refer to the *Case Studies* section of this toolkit.

## ALIGN WITH OTHER STRATEGIC INITIATIVES

Localizing purchasing can help meet institutional strategic goals in sustainability and healthy eating. Tying procurement efforts to these goals not only helps increase internal support for the goals, but also positions procurement as a strategy to address community health needs, such as nutrition and carbon emissions.

A network of organizations already exists for hospitals to incorporate environmental sustainability into their purchasing decisions. **Health Care Without Harm (HCWH)** and **Practice Greenhealth (PGH)** are two organizations at the intersection of human and environmental health. They are galvanizing a national learning network of over 1,200 hospitals working to execute tested strategies to leverage their purchasing to support the health of the communities they serve. HCWH and PGH offer multiple tools and resources to help institutions achieve sustainability goals. These include the following:

### **Environmentally Preferable Purchasing (EPP) resources**

PGH brings a focus to selecting healthcare products with reduced environmental and human health impacts that are vital to healthcare. Environmentally Preferable Purchasing (EPP) is the act of purchasing products/services whose impacts have been considered and found to be less damaging to the environment and human health when compared to competing products/services. EPP can be the key to saving money and reducing waste while meeting the needs of patients. For EPP tools and additional information, see: [practicegreenhealth.org](http://practicegreenhealth.org)

### **Greenhealth Exchange**

Greenhealth Exchange (GX) is a purchasing cooperative created by PGH, HCWH, and leading health systems committed to sustainability. The goal of GX is to make buying products and services that are good for people, the planet, and the bottom line easier for its members. GX helps to track hospital member spend and report the environmental, health, and community benefits associated with purchases. The GX Innovation hub works to spark innovation in the supply chain, including in areas such as local food system growth or greener product development. For more information, see: [www.greenhealthexchange.org](http://www.greenhealthexchange.org)

### **Healthier Hospitals program**

Healthier Hospitals, a free program of PGH, offers powerful resources to advance procurement changes and sustainability in healthcare. The program provides a suite of tools to help hospitals get started on goal setting, implementation, and measuring progress towards purchasing and programmatic goals. In addition to multi-tiered goals, participants of Healthier Hospitals have access to tracking tools, case studies, and a comprehensive get-started guide. Participating institutions set the goal to increase the percentage of local food purchases by 5 percent annually or achieve the goal of 20 percent total. For more information about this program, see: [www.healthierhospitals.org](http://www.healthierhospitals.org)

### **Environmental Excellence Awards**

The Environmental Excellence Awards established by PGH have become an industry standard within healthcare procurement and sustainability, recognizing institutions at varying stages of sustainability initiatives. The awards serve as a strong communication vehicle to celebrate accomplishments in creating healthier hospital environments, and encourage innovation. Awards range from the Circles of Excellence, which recognize hospitals for outstanding performance in one specific area of expertise, to a Top 25 Environmental Excellence award presented to the twenty-five hospitals that have best met key performance indicator targets and scored the highest across ten categories. For more information on the Environmental Excellence Awards, see: [practicegreenhealth.org/awards](http://practicegreenhealth.org/awards)

### **Localizing food procurement**

Many healthcare institutions are recognizing the alignment between local food and their sustainability and nutrition goals. Buying local food can help decrease inputs into industrial food production that drive poor health, such as fossil-fuel based fertilizers, antibiotics for livestock, pesticides, and carbon emissions. In addition, the transparency of local sourcing helps ensure sustainable practices and reduce added ingredients to processed foods, such as extra sodium and added fat.<sup>24</sup>

Reduction of sodium in patient meals has been a significant driver for Charleston Area Medical Center's local food-purchasing program in Charleston, West Virginia. Boston Medical Center (BMC) in Boston, Massachusetts has taken a similar approach in their local

seafood purchasing. Since sodium is a major contributor to hypertension, BMC nutrition staff were concerned about the amount of it in the processed food they were purchasing. Specifically, industrially produced meat tends to be higher in sodium content due to added preservatives. To address this, BMC started purchasing from local fisherman for locally caught fish with no added sodium. BMC is able to pay the fisherman fifty cents more per pound than they would get at other markets, and they purchase underutilized species that helps encourage sustainable fishing practices.

“The only fuel used is from the fishing boat, and then to the hospital. And we get ultra-fresh, low-sodium, high-protein product...The remnants from the trimming are transferred to an on-site plant and made into liquid organic fertilizer,” explained Leo LaRosa, the director of infrastructure and utility management at BMC, when discussing the environmental benefits of the program. The hospital is also considering being a central distribution point for a community-supported agriculture (CSA) distribution program, where community members could purchase seafood and support the local fishing community.<sup>25</sup>

#### **The Healthy Food in Health Care program**

The Healthy Food in Health Care program, of Health Care Without Harm, guides hospitals towards a transition from a price-based to a value-based food system. The program connects health systems to small- and medium-sized farms that employ responsible practices, helping to drive purchasing from these farms and, in turn, support a stable local economy. Resources the program provides to participating health institutions include: background information about the overlap between food sourcing and health, procurement guides for sustainably raised meat, poultry, and seafood, a “how to” guide, and information on healthcare’s role in supporting organic purchasing.

Another focus of the program is to shift the economic model of food so the production costs are split more evenly between farmers, retailers, wholesalers, and consumers. The long-term vision is that this will result in more economically stable local producers and fairer prices for consumers. For more information, see: [www.healthyfoodinhealthcare.org](http://www.healthyfoodinhealthcare.org)

Local food purchasing can be an especially important tool for hospitals to support the local economy. Responding to the identification of unemployment as a pressing community health need, Charleston Area Medical Center’s local food value chain program explicitly seeks to transform the regional economy and provide good jobs for area residents.<sup>26</sup>

Similarly, Concord Hospital, based in Concord, New Hampshire, sees local food purchasing as an important way to support the local economy. Tom Serafin, the director of food and nutrition services for over twenty years, described his approach: “It was never about a carbon footprint, or healthier meals, or the issues people are pushing today. It was always about supporting the local economy and keeping the dollars in. If you are a major institution providing service to an area, why wouldn’t you want to help the people who you serve?” Compared to other purchases in their supply chain, food spending is an area with a significant amount of discretion. Moreover, there was flexibility to adjust the menu to offer food that was locally available. “We have to serve food, but we don’t need to serve chicken. Whereas in other areas of the hospital, you have to use a specific product, or specific formulation,” noted Serafin.<sup>27</sup>

By buying local food, hospitals help grow the capacity of local food vendors. In Concord, Serafin worked with a local salsa company, supporting them in packaging their salsa in four ounce cups so that it could be more easily distributed in the hospital cafeteria.<sup>28</sup> In relation, over the years the business has grown significantly, and the owner has moved to a larger location and hired more staff.

Health systems can also supply other resources to help build local food vendor capacity. University of Vermont Medical Center in Burlington, Vermont has provided technical assistance around product development to vendors, written letters of support for grants, and even donated capital for greenhouses and other equipment.

Local purchasing can support sustainability initiatives. Cleveland Clinic in Cleveland, Ohio has used local procurement to boost its sustainability programs. For instance, they contracted with Evergreen Energy Solutions, a local worker-owned cooperative focused on green construction, to undertake one of the largest healthcare LED lightbulb retrofits in the country.

This project supports this worker-owned cooperative that hires from low-income communities of color while at the same time helping Cleveland Clinic achieve its sustainability goals and reduce costs. “Health of the community—including economic and environmental health—is integral to our mission,” explained Jon Utech, the senior director of Cleveland Clinic’s office for a healthy environment.<sup>29</sup>

Another area of strategic overlap is with health equity and population health initiatives. St. Francis Hospital and Medical Center based in Hartford, Connecticut has made this connection explicit by connecting their supplier diversity initiative to health equity goals. Tatiana Paredes oversees the supplier diversity program and her position’s title is “coordinator of supplier diversity, health equity and inclusion.”

Increasingly, efforts to diversify the supply chain are connected to efforts to address community needs and increase hospital staff diversity and cultural competency of care. The mission of the program makes this connection to community explicit: “Through Supplier Diversity, our aim is to create a mutually beneficial long-term social and economic impact in the communities we serve.”<sup>30</sup>

Kaiser Permanente (KP), one of the nation’s largest nonprofit health plans and integrated care consortium based in Oakland, California, also makes the explicit connection between their supplier diversity program and community health. The mission of their supplier diversity program is: “to ensure the dollars spent by Kaiser Permanente contribute to the economic health and reflect the diversity of the communities we serve.”<sup>31</sup>

They have maintained this focus even as they have grown significantly, with revenues of more than \$60 billion. KP is currently the only healthcare provider member of the “Billion Dollar Roundtable,” a group of large corporations that commit to directing at least one billion dollars of their purchasing to minority- and women-owned business enterprises.<sup>32</sup> Although the initiative overall has a national focus, KP has instituted programs to help support producers based in California, including a resource for California suppliers to simplify and quicken the invoicing process.<sup>33</sup> KP is currently undertaking planning on how it can more intentionally drive its significant annual spending into communities it directly serves.

## UNBUNDLE CONTRACTS AND CARVE OUT OPPORTUNITIES FOR NEW, LOCAL VENDORS

To streamline processes and lower costs, procurement departments often “bundle” contracts, putting multiple goods and services in the same bid for proposals. But this can create barriers for local and diverse firms that may be able to fill one specific part of the contract, but not the services outside of their scope.

Breaking contracts into component parts increases the likelihood that smaller firms can put together bids. Moreover, smaller contracts provide an onboarding opportunity, allowing vendors to familiarize themselves with the hospital’s procurement process. Often, unbundling bids can even produce cost savings, as the bidding process for each good or service is more competitive. Unbundling contracts and breaking apart projects is a strategy employed heavily at University Hospitals in Cleveland, Ohio.<sup>34</sup>

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**“If you are a major institution providing service to an area, why wouldn’t you want to help the people who you serve?”**

Tom Serafin,  
Concord Hospital

### CREATE FULL-TIME COORDINATOR ROLE

Although local and diverse spending typically has little impact on the price an institution pays for goods or services, it can require more staff time—especially at the onset when health systems will need to create new vendor relationships. Often, supply chain managers have limited capacity beyond the day-to-day functions of procurement. Hiring a full-time coordinator ensures that some of the broader tasks necessary for starting an initiative—the initial data scrub, goal setting, coordination among departments, and outside partnerships—do not fall to the wayside.

A best practice is to situate this position within supply chain, and not within a staff group on diversity, explained Howard Elliott, a supplier diversity consultant based in Cincinnati, Ohio. This placement helps convey within the organization that this is a business imperative, and it helps ensure there is someone who can focus on accountability across departments.<sup>35</sup>

#### Key responsibilities for a staff position focused on inclusive, local and sustainable sourcing include

- Coordinate initial data scrub and ensure data infrastructure is adequate
- Solicit input for goal-setting process
- Solicit input on supply chain needs
- Work to create database of local, diverse and sustainable suppliers
- Conduct internal education with department managers
- Coordinate supply chain meetings to discuss barriers and progress
- Track progress on goals and report to leadership
- Troubleshoot with managers when goals are not being met
- Conduct vendor outreach and connect with new, local vendors
- Serve as first contact point for interested vendors
- Create materials for vendors interested in working with institution
- Develop partnerships with local business organizations and other anchor institutions

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## 3 Partnership strategies

### Tools to scale local purchasing efforts

#### DEVELOP PARTNERSHIPS WITH THE LOCAL BUSINESS COMMUNITY

Many of the strategies already described here hinge on partnerships with the local business community. Understanding the capacity of local vendors and connecting to local, diverse firms necessarily involves engaging with local stakeholders. It is important to build relationships with stakeholders and involve them in the design process of a local, diverse purchasing initiative. Every health system interviewed for this toolkit referenced partnerships with organizations in the local business community as central features of their success.



A particularly important subset of organizations are local chapters of supplier diversity organizations, such as the National Minority Supplier Diversity Council, The Women's Business Enterprise National Council, or their regional, state, and county equivalents. These organizations can also help inform vendors about available certifications and their requirements. Often, these organizations are willing to share their vendor databases and can connect supply chain managers to qualified firms.

Local chambers of commerce, business development associations, and county or city government can also be important partners. One strategy to encourage relationship building is to have the person managing the program participate on the board of one or more of these organizations. This allows them to communicate supply chain needs, connect directly with potential vendors, and build trust with the local business community.<sup>36</sup>

### LEVERAGE LONG-TERM CONTRACTS WITH DISTRIBUTORS, AGGREGATORS, AND CONTRACTORS TO ACHIEVE PROCUREMENT GOALS

Supply chain integrators and GPOs are often seen as barriers to local procurement, as they typically serve to consolidate purchasing. However, these organizations depend on hospital contracts and can be held accountable to institutional goals. Steve Standley described this philosophy and how it plays out at University Hospitals in Cleveland, Ohio: "We say at the onset with all vendors, 'we really want a different kind of relationship with you. We want a true vendor partnership, and, to us, that's defined in this way. We want you to create jobs in our community. We're going to commit to you long-term if you do that.'"<sup>37</sup>

It is in the interest of these organizations, as well as large vendors who subcontract, to secure long-term business with health systems. Leveraging the promise of contract extensions and continuation can be a key lever for encouraging local and diverse purchasing.

This strategy has been especially effective with distribution companies. Duke University Medical Center, in Durham, North Carolina, negotiated with their distributor, Georgia Pacific: "They didn't have any minority distributors in the southeast, so we told them if they wanted to keep doing business with us, they would have to. So we helped get [the minority-owned distribution] company set up. This vendor was doing printing materials, but had trucks and a distribution center," explained Duke's director of procurement programs, Mary Crawford.<sup>38</sup>

Johns Hopkins Hospital and Health System, in Baltimore, Maryland, also used this strategy several years ago requesting that their paper company go through a local distributor: "We said to them: 'we want that paper to come through this local company.' They said no. We said again, 'We want this paper to come through this company.' After the third no, we switched paper companies." Johns Hopkins then built the local distributor into the next contracting process.<sup>39</sup>

Other institutions have engaged in these negotiations with their GPOs. Calvin Wright, the former chief resource officer at Mercy Health, of Cincinnati, Ohio, described how their GPO, Premier, agreed to direct more purchasing to local and regional vendors. "I said, I don't want to hear about what you're doing in other countries, but in our neighborhood," he explained, and established that Mercy's priority was not in sourcing products from overseas, but building that capacity locally. "GPOs have a lot of leverage," Wright explained.

This strategy also works for existing large vendors. "If you're under contract, then launch a wave of engaging current vendors to commit to open up jobs and facilities in their market, in return for extended long-term contracts," stressed Standley. Given that most contracts are three-to-five years, this gives the health system added leverage, since businesses like to plan beyond that time frame. It is important to note that contracts can ultimately be renegotiated at any time, and it is possible to implement some of these changes before a contract is up.

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Leveraging the promise of contract extensions and continuation can be a key lever for encouraging local and diverse purchasing.

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- <sup>1</sup> Steve Standley, interview by Ted Howard, October 2, 2016.
- <sup>2</sup> Steve Standley, interview by Ted Howard, October 2, 2016.
- <sup>3</sup> For more information about EPP, see: <https://practicegreenhealth.org/topics/epp>.
- <sup>4</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016; Alyssa Berman-Cutler, interview by David Zuckerman and Katie Parker, February 18, 2016.
- <sup>5</sup> Steve Standley interview by Ted Howard, October 2, 2016.
- <sup>6</sup> Mary Crawford, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>7</sup> Howard Elliott, interview by David Zuckerman and Katie Parker, January 15, 2016, Cincinnati, OH.
- <sup>8</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016.
- <sup>9</sup> Tim Martin, interview by David Zuckerman and Katie Parker, February 19, 2016.
- <sup>10</sup> Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>11</sup> De Asa Nichols, interview by David Zuckerman and Katie Parker, February 19, 2016.
- <sup>12</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016.
- <sup>13</sup> Mary Beth Levine, interview by David Zuckerman and Katie Parker, May 10, 2016.
- <sup>14</sup> Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>15</sup> Alyssa Berman-Cutler, interview by David Zuckerman and Katie Parker, February 18, 2016.
- <sup>16</sup> Mary Beth Levine, interview by David Zuckerman and Katie Parker, May 10, 2016.
- <sup>17</sup> Andi Jacobs, Hermione Malone, Christine Foley, and Neil Gamble, interview by David Zuckerman, Cleveland, OH, January 12, 2016.
- <sup>18</sup> Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>19</sup> Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>20</sup> Steve Standley, interview by Ted Howard, October 2, 2016.
- <sup>21</sup> Steve Standley, interview by Ted Howard, October 2, 2016.
- <sup>22</sup> Mikie Hayes, "MUSC, Minority Vendors Building Relationships," The Catalyst, Charleston, SC: Medical University of South Carolina, October 2, 2014, <http://academicdepartments.musc.edu/catalyst/archives/2014/10-3Business.html>.
- <sup>23</sup> Anton Gunn, interview by David Zuckerman, May 24, 2016.
- <sup>24</sup> For more information about the health effects of food procurement, see: Health Care Without Harm, <https://noharm-uscanada.org/issues/us-canada/healthy-food-health-care>.
- <sup>25</sup> Leo LaRosa, interview by David Zuckerman and Katie Parker, October 3, 2015.
- <sup>26</sup> For more information, see: the Charleston Area Medical Center case study in this toolkit.
- <sup>27</sup> Tom Serafin, interview by David Zuckerman and Katie Parker, October 29, 2015.
- <sup>28</sup> Tom Serafin, interview by David Zuckerman and Katie Parker, October 29, 2015.
- <sup>29</sup> Jon Utech, "Local Purchasing," presentation, Cleveland, OH, January 12, 2016. For more information about Evergreen Solutions and the other worker-owned businesses that are part of Evergreen Cooperatives, see: the University Hospitals case study and the "Building Capacity" section in this toolkit.
- <sup>30</sup> Saint Francis Hospital and Medical Center, "Supplier Diversity," website accessed October, 2016, [http://www.stfranciscare.org/Supplier\\_Diversity.aspx](http://www.stfranciscare.org/Supplier_Diversity.aspx); "On the Fast Track to Success," The Source, Third Quarter 2016, 54.
- <sup>31</sup> "Doing Business with Us," Supplier Diversity, Kaiser Permanente, website accessed August, 2016. <http://supplierdiversity.kp.org/doing-business.html>
- <sup>32</sup> "Kaiser Permanente First Health Care Provider and Health Plan Named to Billion Dollar Roundtable," Kaiser Permanente News & Views, Kaiser Permanente, August 12, 2014, accessed online <https://share.kaiserpermanente.org/article/kaiser-permanente-first-health-care-provider-and-health-plan-named-to-billion-dollar-roundtable/>
- <sup>33</sup> For more information, see: <http://supplierdiversity.kp.org/doing-business.html>.
- <sup>34</sup> Mary Beth Levine, interview by David Zuckerman and Katie Parker, May 10, 2016.
- <sup>35</sup> Howard Elliott, interview by David Zuckerman and Katie Parker, January 15, 2016, Cincinnati, OH.
- <sup>36</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016; Marian Nimon, interview by David Zuckerman and Katie Parker, February 11, 2016; Ken Grant, interview by David Zuckerman and Katie Parker, Baltimore, MD, February 5, 2016; Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>37</sup> Steve Standley, interview by Ted Howard, October 2, 2016.
- <sup>38</sup> Mary Crawford, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>39</sup> Ken Grant, interview by David Zuckerman and Katie Parker, Baltimore, MD, February 5, 2016.

# → Building Capacity

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“Capacity strategies” are tools that increase the ability of the local business community to meet health system supply chain needs—growing the capacity of existing businesses as well as helping to incubate new businesses. A capacity building approach helps address supply chain gaps, meet specific product needs, and improve the efficiency and resiliency of the supply chain. Capacity building initiatives often incorporate philanthropic or public funding, bringing additional financial resources to the table.

Such business development efforts can also incorporate strategies to maximize impact through inclusive economic development. They can create job opportunities for the populations that experience the greatest barriers to employment and cultivate wealth-building opportunities through employee ownership. Capacity strategies are most effective when employed in combination with revised internal policies that facilitate connections with local vendors.

## CRITICAL STRATEGIES

### Core elements of building local capacity

- Leverage the expertise and purchasing power of existing vendors
  - Require majority-minority contracts and subcontracting to local, diverse vendors
  - Facilitate Mentor-Protégé Programs
- Promote business incubation and expansion
- Provide technical assistance and capacity-building training

## PROGRAM DESIGN STRATEGIES

### Best practices for growing your supply chain

- Support inclusive business structures
- Promote investments in infrastructure
- Provide in-kind support, including space, expertise, and access to information

## PARTNER STRATEGIES

### Finding the right supply chain partners

- Leverage large vendor contracts to encourage inclusive, local hiring
- Collaborate with other anchors around shared demand

## 1 Critical Strategies

### Core elements of building local capacity

#### LEVERAGE THE EXPERTISE AND PURCHASING POWER OF EXISTING VENDORS

Health systems can utilize the expertise and purchasing power of their network of larger vendors to help grow the capacity of local, diverse businesses. This can take two forms: encouraging or requiring vendors to subcontract to local and diverse businesses, or leveraging the expertise of vendors by facilitating mentor-protégé relationships. Both of these approaches can be implemented through the Request for Proposal (RFP) process and included in contracting documents.

#### Require majority-minority contracts and subcontracting to local, diverse vendors

Requiring existing vendors to subcontract to local, diverse businesses can provide an entry point for vendors who might not yet have the capacity to take on the full contract for a particular good, service, or capital project. One strategy is to encourage majority-minority contracts, in which a prime vendor subcontracts a portion of the contract to a minority-owned firm. The impact of this strategy is greatest when the intent is to eventually “flip” the contract to the minority-owned vendor over some period of time.

With this strategy, the ownership structure and geographic location of the prime contractor, or tier-one vendor, becomes less important because they are partnered with the minority-owned (and ideally locally owned) vendor that becomes a sub or tier-two vendor. This strategy provides a means for increasing the capacity of the tier-two vendors in an environment that mitigates risks to the hospital and prime contractor. The tier-two vendor does not take on too much too quickly, which helps to ensure they can complete contracts successfully.

This approach is most common with construction and capital projects, in which a situation often exists that health systems only contract with vendors that have extensive hospital construction experience. This practice often precludes local and diverse vendors that have more recently entered the industry and makes it difficult for them to demonstrate their ability and secure a stand-alone contract. Majority-minority partnerships allow the smaller vendor to gain expertise over time, beginning with lower-risk projects and assuming more medical-specific construction projects as they go. This strategy also helps smaller vendors participate even if they are unable to access bondage or retainage requirements—often a pressing issue—as tier-one vendor will meet these requirements.

The primary way health systems facilitate these types of partnerships is to include tier-two supplier diversity goals in RFPs. Todd Gray, director of supplier diversity at Grady Health System (Grady) in Atlanta, Georgia, explained that his department partnered with the legal department to put tier-two diversity goals into RFPs. “You can’t do it last minute,” he said. “Put it in the solicitation and require that a plan is due in the solicitation response, and then work that into the contract,” Gray explained. Grady provides a contract template for potential vendors that includes supplier diversity goals.<sup>1</sup> Another strategy is to require prime vendors to report on their local, diverse spend, which can then become a metric for assessing their performance on the bid.

An important component of this strategy is that it recognizes major vendors as purchasers, as well as suppliers, and leverages their procurement power for local impact. These large vendors—some of which are referred to as supply chain integrators—can also connect hospitals to diverse vendors. Mary Crawford, director of procurement programs at Duke University Health System in Durham, North Carolina, explained, “when a small or diverse vendor is not at capacity or able to provide for all our needs in a specific area, we often connect them with our first-tier vendors, who we rely on for second-tier supplier diversity support.”<sup>2</sup>

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“Put [supplier diversity goals] in the solicitation and require that the plan is due in the solicitation response, and then work it into the contract.”

Todd Gray,  
Grady Health System

The approach Crawford described is also strategic in framing supplier diversity as a means to improve overall vendor performance, rather than as competition. Tim Martin, manager of supplier contracting at CHRISTUS Health, headquartered in Irving, Texas, explained it this way: “I promote our tier-two program first. I don’t want my large suppliers to think that I want to take business away from them. We want to work with those companies, and I am always encouraging my suppliers to help employ smaller contractors...That is an expectation. I consider it a good business practice.”

CHRISTUS has taken this approach a step further by creating a “diversity supplier council” made up of fourteen significant suppliers. Some of the suppliers on the council are leading contractors and others are up-and-coming, women- and minority-owned business enterprises (MWBE). “The leading contractors are on there because they themselves have great supplier diversity programs,” explained Martin. The council achieves a number of strategic goals: it provides the health system with expertise on best practices in supplier diversity, encourages the institution to commit to growing their diverse spend, and provides the vendors with access to information about financials and upcoming opportunities with CHRISTUS. Each participant signs a nondisclosure agreement, which facilitates a more in-depth sharing between companies.<sup>3</sup>

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**Mentor-protégé programs help build capacity across the supply chain, as protégés receive coaching around important business practices.**

### **Facilitate Mentor-Protégé Programs**

Another strategy to leverage the expertise of existing vendors is to facilitate a mentor-protégé program. More commonly employed in construction, mentor-protégé programs help build capacity across the supply chain, as protégés receive coaching around important business practices, such as putting together bids and organizing the back office. Programs can take the form of informal mentorships, which encourage relationships between tier-one and tier-two vendors (as noted above), or formalized programs where the health system acts as a match-maker and facilitator.

Particularly in construction, subcontracting can be viewed as a form of mentorship, even if there is not a formal mentor-protégé program. This sentiment exists because the expertise required to successfully work together in this capacity is so precise and high-touch. University Hospitals (UH) in Cleveland, Ohio states this explicitly to its vendors: “The goal is for businesses to mentor other businesses by working with UH,” explained Mary Beth Levine, the vice president of system resource management. “Hospital construction can be complicated, so it’s not like putting up a commercial building or administering some office space. We look for and are hoping to develop additional expertise with smaller contractors,” she added.<sup>4</sup>

One hospital has also used this approach with construction. Their supplier diversity coordinator described the relationship between a large architectural firm and an emerging firm: “there’s a great mentoring opportunity even if it’s back office operations or learning new technologies.” They explained that since the established firm already had significant market share, it did not view mentorship as training their competitors. In cases where there is perceived market competition, companies can be paired across sectors. “You can pair a pharmaceutical company with a staffing company because backroom business operations are similar across industries.”

Other institutions operate formalized mentorship programs to cultivate long-term relationships. This can expand this opportunity to vendors who have not yet secured a subcontract. Moreover, the formalized structure can ensure that technical assistance is more intentional than if the protégés were simply subcontractors. Grady operates a mentor-protégé program outside of their subcontracting opportunities. A year-long program, small businesses are paired with larger corporation mentors. Subject matter experts across the health system teach participating businesses about specific components of the supply chain. Businesses are also connected to networking services and local resources that provide further technical assistance. Grady enters into confidentiality agreements with the mentoring organization to facilitate information sharing, explained Gray, supplier diversity manager.<sup>5</sup>

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**“The intent of the entire program is to help build capacity and provide participants with additional skills so that they will have success, not just at my company, but at any other similar organization with whom they might do business.”**

Marian Nimon,  
MD Anderson  
Cancer Center

MD Anderson Cancer Center (MD Anderson) in Houston, Texas takes a similar approach, actively facilitating long-term partnerships. Their program has catalyzed over forty relationships in its twenty-one year history. Protégés must be certified as Historically Underutilized Businesses (HUBs) to ensure the program helps meet their supplier diversity goals.<sup>6</sup>

Cleveland Clinic also operates a construction-focused, mentor-protégé program. The program was created to help improve the quality of bids. “We weren’t getting to the heart of the matter and building the pool of healthcare qualified vendors...We started looking at how we can build the pipeline,” explained Neil Gamble, senior director for facilities planning, design and construction. Particularly, Cleveland Clinic found that vendors had inefficient and antiquated back office functions, and did not have the capacity to manage overhead and paperwork. Rather than matchmaking, Cleveland Clinic solicits mentors and has them locate and interview potential mentees. They require that if the mentor has a contract with Cleveland Clinic, their protégé has to have a presence in the job and has to be part of the leadership of the project. The minimum commitment to the program is three years. The program now has six mentors.

Although protégés are not guaranteed contracts with Cleveland Clinic by participating in the program, they receive many opportunities to build capacity and their network. In addition to gaining technical expertise, protégés gain access to supplier and business development events. Cleveland Clinic extends invitations to exclusive forums on topics from supplier diversity to raising capital and attracting investors. Gamble noted that mentors also benefit, as it helps them meet their tier-two goals and gain access to those same events and forums. Because of the difference in scale between the mentors and the small businesses, there is little concern over direct competition, which allows collaboration to flourish.<sup>7</sup>

#### **Connect vendors to technical assistance and capacity-building training**

Expanding vendor access to technical assistance and training opportunities, by offering them directly or through partnerships, is another critical strategy for building local and diverse business capacity. Additionally, this service helps improve the quality of bids and supply efficiencies by increasing the pool of competitive bids and market competition. Capacity building includes interventions in a number of critical areas: broad business development, doing business with a particular institution, or more generally, doing business within the healthcare sector.

A major barrier for potential local and diverse vendors lies in their ability to write competitive proposals. Even if they have the capacity to meet the contract requirements (i.e., they can “do the work”), they may not have staff dedicated to finding the best contracting opportunities or the software to generate bid estimates. Linking vendors to technical assistance to build this capacity can help improve bid quality, not only by assisting the vendors themselves, but also because it will increase quality competition in the marketplace.

When discussing the challenges working with diverse vendors, Indria Hollingsworth-Thomson, supplier diversity director at Parkland Health & Hospital System, based in Dallas, Texas, explained, MWBEs “might not have the same ability to produce the same type of a proposal, because they don’t have a team to do it. You can tell when MWBEs don’t have the staff of four or five people to work specifically on proposals. [Smaller firms] are focused on doing the business at hand.”<sup>8</sup>

To address this capacity gap and improve the quality of the bidding pool, health systems offer vendor education that goes beyond simply how to do business with the hospital. MD Anderson offers an annual “Supplier Capability Development” training where they provide a comprehensive overview of the sourcing and procurement processes within the health system, and share best-practice resources. Attendees receive information about human resources, back office support, and contracting.



MD Anderson also works to bring external partners to the training to present workshops on subcontracting and RFPs. “The intent of the entire program is to help build capacity and provide participants with additional skills so that they will have success, not just at my company, but at any other similar organization with whom they might do business,” explained Marian Nimon, associate director and small business liaison officer of the HUB and Federal Small Business Program at MD Anderson. This model allows local vendors to get hands-on experience in preparing a healthcare specific bid. And, since the proposal they review is a case study, it does not generate conflicts of interest for the hospital.<sup>9</sup>

## LEVERAGING PARTNERSHIPS TO ACCELERATE SMALL BUSINESS IMPACT

JON ARAM, BILL KRUGLER, LINDSAY MUELLER, WILLIAM TOWNS, KEVIN BOES



A graphic recording from the panel “Leveraging Partnerships to Accelerate Small Business Impact” from Chicago Anchors for a Strong Economy’s (CASE) inaugural conference on October 14, 2016. Graphic by Sketch Effect and provided by CASE, [www.worldbusinesschicago.com/collectively-impacting-economic-development/](http://www.worldbusinesschicago.com/collectively-impacting-economic-development/)



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**Integrating employee and cooperative ownership and profit-sharing mechanisms helps ensure that a broader set of stakeholders will work to keep the business local and that more residents will benefit from the institutional investment.**

#### **Promote business incubation and expansion**

One advantage of working with local vendors is greater supply chain flexibility. Business incubation takes this a step further, as local firms can be expanded or created to fill supply chain gaps or meet strategic goals, such as sustainability. Business incubation encourages local job creation and wealth building, and works best when it taps into the existing small business development ecosystem.

Often, public and philanthropic resources can be mobilized to support business incubation initiatives. Aside from financial resources, in-kind resources such as commercial space, technical information, or even just communication about future contracting opportunities can help considerably. Health systems can also provide grants or leverage their investment portfolios to provide resources for business incubators, or to provide start-up, working, and expansion capital to new, local, diverse businesses.<sup>10</sup>

At the core of all these strategies are commitments to supporting local and diverse vendors and building relationships. At Concord Hospitals in New Hampshire, Tom Serafin, director of food services, has worked with local producers and vendors to adapt products specifically for the hospital. He shared the story of the growth of a local salsa company. Serafin tasted the salsa at a vendor fair and wanted to sell it in the hospital cafeteria, but packaging had not yet been developed for individual servings. He worked with the producer to find a cup that would work, and the producer developed four-ounce individual packages. The hospital became one of the company's biggest customers, and eventually what was a one-man business grew to employ over ten people and built a local production facility. In this case, the relationship between Serafin and the producer allowed them to co-develop the product that would meet dining service needs, while giving the company greater access to the wholesale market.<sup>11</sup>

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## **2 Program design strategies**

### **Best practices for growing your supply chain**

#### **Support inclusive business structures**

In addition to addressing gaps in the supply chain, expanding market competition, and creating economic opportunities for residents in underserved communities of color, an additional benefit to incubating new businesses is that the business structure itself can be designed to maximize impact in the community. Integrating employee and cooperative ownership and profit-sharing mechanisms helps ensure that a broader set of stakeholders will work to keep the business local and that more residents will benefit from the institutional investment. A further benefit, beyond greater employee participation and wealth building mechanisms, are that employee-owned businesses have been shown to have higher productivity rates.<sup>12</sup>

This strategy fosters business design geared to meeting the needs of specific populations experiencing unemployment, be it individuals from specific zip codes, formerly incarcerated individuals, or other groups of individuals facing barriers to employment. Businesses with the mission of reaching individuals with barriers to employment are often called social enterprises. Since the goal of localizing procurement is to drive assets to these very communities, ensuring local social enterprises are included in the enterprise design increases the impact of procurement efforts.

The Evergreen Cooperatives (Evergreen), based in Cleveland, Ohio, feature employee ownership and social enterprise linked to health system procurement. Established in 2009, Evergreen includes a nonprofit incubator for worker-owned cooperatives, with the mission to “promote, coordinate and expand economic opportunity for low-income individuals, through a growing network of green, community-based enterprises.”<sup>13</sup> Developed with support from the Cleveland Foundation, Evergreen focuses on incubating businesses that will meet existing anchor institution supply chain needs.

Evergreen currently includes three businesses: a commercial laundry, an environmental construction and retrofit firm, and an urban greenhouse. These three cooperative businesses were designed to meet supply chain needs of area anchors, including Cleveland Clinic and UH. In addition to initial investments to help seed a revolving loan fund for the start-up businesses, the hospitals have constructively identified supply chain opportunities and contracts for the businesses, assuming they can compete on price and quality. To date, the cooperatives employ more than 110 residents from the surrounding low-income, majority African-American neighborhoods, and have generated an estimated \$6.3 million in annual revenue.<sup>14</sup>

Fifth Season Cooperative—based in Viroqua, Wisconsin—represents a rural example of a business with an inclusive structure that was incubated with support from a health system anchor. Fifth Season is a multi-stakeholder cooperative, with six classes of member-owners, including: producers, producer groups, distributors, processors, institutional buyers, and workers of the cooperative. One of the original buyer-members is Gunderson Health System, based in nearby La Crosse, Wisconsin.

Gunderson demonstrated critical leadership in Fifth Season’s start-up phase by recruiting additional institutional support from nearby universities and school systems. In addition, Gunderson has served on Fifth Season’s board since the cooperative’s inception, contributing ongoing expertise to the project. This board participation helps strengthen relationships between Gunderson and local producers, allowing improved communication around supply chain opportunities and challenges. These connections are important because the focus of the cooperative is not simply on distributing food, but also on growing a more robust food system by building the capacity of local producers.<sup>15</sup>

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**Focusing on building capacity of aggregators and distributors can help bring local food production to scale.**

### **Promote investments in infrastructure and business ecosystem for local and diverse vendors**

Other sectors—distribution, transportation, contract management, and staffing—all play an essential role in the supply chain. Viewing a supply chain from this perspective creates additional opportunities for supporting local and diverse businesses. Maximizing opportunities for local and diverse businesses to contribute to the supply chain may require investments in supply chain infrastructure that help facilitate localizing procurement, which will help ensure the business ecosystem is one that nurtures local and diverse vendors.

Even if a needed item is not sourced locally, the local economy can still benefit. For example, shipping may provide a business opportunity for a local, diverse vendor. Encouraging or requiring large vendors to utilize local transportation companies and distributors can help channel volume to these businesses, and allow them to grow sustainably. Johns Hopkins Hospital and Health System (Johns Hopkins) in Baltimore, Maryland is one system that is

pursuing this approach. Ken Grant, the vice president of supply chain for the health system and vice president of general services for the hospital, explained that Johns Hopkins switched vendors so that their prime paper vendor would utilize a local distribution company. This not only moves procurement dollars to local, diverse vendors, but also helps to grow the capacity of the local infrastructure, which can facilitate further local procurement. This infrastructure approach is especially important for local food purchasing, as many barriers can exist for producers in the processing and delivery of produce. Focusing on building capacity of aggregators and distributors can help bring local food production to scale. This strategy is employed by Gundersen with their support of Fifth Season Cooperative, as described above. Fifth Season's food hub aggregates produce from its members for local distributors, enabling smaller producers to serve local anchor institutions. In this example, the institutional purchasers are able to meet their goals for local purchasing without significant distribution inefficiencies.

### Provide in-kind support, including space, expertise, and access to information

Investments in capacity building in local and diverse businesses need not be purely monetary. Health systems have many other assets they can leverage to help scale local businesses. Hospital facilities can be offered up for vendor outreach events and trainings, or even as warehouse space. Staff time and expertise, and information on upcoming opportunities can also be shared as resources. Access to these resources helps local businesses prepare for upcoming bid opportunities, and supply chain partners, such as small business development centers and supplier diversity councils, design programming more strategically.

Critical assets hospitals have at their disposal include subject matter experts with specific knowledge about healthcare contracting, supply chain needs, risk assessment and legal issues, and accounting. Dedicating staff time from these departments towards vendor outreach and education is an important strategy for building relationships with local and diverse businesses. This strategy can be particularly important in construction, in which complicated requirements around bonding, retainage, and insurance often create barriers for local and diverse firms. This is a strategy employed by MD Anderson. Representatives from these departments, along with external experts, participate in the yearly capacity training for local and diverse vendors.<sup>16</sup> Although the information is beneficial for doing business with MD Anderson, it has utility beyond this, setting vendors up to work with other institutional buyers as well.

One other step a hospital can take is to share information about supply chain needs and communicate with the business community about contracting opportunities. This step facilitates many of the other strategies already discussed. For instance, part of the success of Evergreen is that they are able to meet specific anchor institution supply chain needs and strategic goals. Sustainability is important to both UH and Cleveland Clinic, and as such, the cooperatives were designed to reduce their environmental impacts and carbon footprints. This outcome occurred because these institutions communicated this priority early in the design phase of these start-up businesses, helping position them more competitively over the long term.

Communicating about upcoming contracts allows local vendors to adequately plan for procurement opportunities and put together more competitive bids. Maintaining a public bidding website and circulating contracting opportunities through strategic partners—supplier diversity councils, small business development centers, and cooperative incubators—ensures that this information reaches potential vendors.

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**“We know we can’t hire everybody...we need partners to help us with that. That takes us to a conversation about how our vendors, the people we spend our money with, can help us with these kinds of initiative.”**

Ken Grant,  
Johns Hopkins  
Hospital and  
Health System

## Partner strategies

### Finding the right supply chain partners

#### Leverage large vendor contracts to encourage inclusive, local hiring

Similar to leveraging the procurement power of large vendors, it is also important to recognize the impact of the vendor's hiring practices as well. Steve Standley, the chief administrative officer at UH, described a shift in how his health system viewed and communicated with vendors, telling existing vendors: "We really want a different kind of relationship with you. We want a true vendor partnership...We want you to create jobs in our community. We're going to commit to you long-term if you do that...We want to focus on training residents who are socioeconomically underprivileged in our service space."<sup>17</sup>

To achieve this, UH added local-hire provisions to contracts; and, with vendors they have had long-term contracts with, like Owens & Minor, they requested that, in addition, the company expand their facilities in Cleveland to create local jobs.<sup>18</sup> Johns Hopkins has taken a similar approach in their HopkinsLocal initiative, which coordinates their local procurement and hiring efforts. "We know we can't hire everybody...we need partners to help us with that. That takes us to a conversation about how our vendors, the people we spend our money with, can help us with these kinds of initiative," explained Grant.<sup>19</sup>

#### Collaborate with other anchors around shared demand

Another strategy to scale local procurement efforts is to partner with other anchor institutions. Aggregating the demand of multiple institutions can help address a lack of sufficient demand. For a vendor to expand, or a business incubation project to get off the ground locally, multiple institutions must be lined up to work with the entity, to help justify the required investment. Identifying areas of shared demand can help channel contracting opportunities to local, diverse vendors, allowing them to scale and diversify their customer base.

An example of this approach can be found in the Cincinnati Health Collaborative, a group of hospitals based in Cincinnati, Ohio that focus on supplier diversity. The Collaborative is facilitated by a consultant, Howard Elliott, who solicits input from hospitals on their supply chain needs. They then coordinate to support businesses in areas of shared demand. For example, Elliott identified a minority-owned company that had the capacity to supply all the healthcare systems with courier services. At the time, all the hospitals were negotiating separately as individual customers with differing rates. They came together as a Collaborative to negotiate as a group—becoming a local GPO of sorts. This approach led to cost savings for the hospitals and increased sales volume for the courier.

Other opportunities for shared services include laundry, sterilization, medical supply distribution, and facilities maintenance. Chicago Anchors for a Strong Economy (CASE), profiled in the Case Study section of this toolkit, provides yet another example of this approach. Another role the Collaborative plays is to compile aggregate data on members' local spending, which encourages collaboration rather than competition.



## TOOLS FOR GETTING STARTED

Refer to the *Tools for Getting Started* at the end for further resources on designing an inclusive, local sourcing strategy including:

**DIVING IN:** Ideas for where to get started

**READINESS CHECKLIST:** Do a basic assessment of where your institution is at

**BIG QUESTIONS:** Getting clarity on what matters for your mission

**WORKSHEETS:** Tools for establishing your baseline, identifying your partners, and understanding how to get started

**OVERCOMING BARRIERS:** Promising solutions to common challenges

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<sup>1</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016.

<sup>2</sup> Mary Crawford, interview by David Zuckerman and Katie Parker, January 21, 2016.

<sup>3</sup> Tim Martin, interview by David Zuckerman and Katie Parker, February 19, 2016.

<sup>4</sup> Mary Beth Levine, interview by David Zuckerman and Katie Parker, May 10, 2016.

<sup>5</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016.

<sup>6</sup> Marian Nimon, interview by David Zuckerman and Katie Parker, February 11, 2016. For more information about this program, see: the MD Andersen Cancer Center Case Study.

<sup>7</sup> Andi Jacobs, Hermione Malone, Christine Foley, and Neil Gamble, interview by David Zuckerman, Cleveland, OH, January 12, 2016.

<sup>8</sup> Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016.

<sup>9</sup> Marian Nimon, interview by David Zuckerman and Katie Parker, February 11, 2016.

<sup>10</sup> For more information about this type of investment, see: the Community Investment Toolkit.

<sup>11</sup> Tom Serafin, interview by David Zuckerman and Katie Parker, October 29, 2015.

<sup>12</sup> Virginie Pérotin, "What Do We Really Know about Worker Co-operatives?" Co-operatives UK (2016), 3, [http://www.uk.coop/sites/default/files/uploads/attachments/worker\\_co-op\\_report.pdf](http://www.uk.coop/sites/default/files/uploads/attachments/worker_co-op_report.pdf); For additional resources on worker-owned cooperatives, see: <http://community-wealth.org/content/worker-cooperatives>.

<sup>13</sup> Evergreen Cooperatives, "Mission & Vision," Cleveland, Ohio, 2016, accessed August 8, 2016, <http://www.evgoh.com/mission-vision/>.

<sup>14</sup> For more information about the Evergreen Cooperatives, see: REDF, "Evergreen Cooperatives," Impact to Last: Lessons from the Front Lines of Social Enterprise, San Francisco, CA: REDF, 2015, <http://redf.org/wordpress/wp-content/uploads/2015/12/Evergreen-Case-Study-FINAL.pdf>; The University Hospitals Case Study in this toolkit.

<sup>15</sup> For more information about Fifth Season Cooperative, refer to a more in-depth case study included in the online appendix of this toolkit.

<sup>16</sup> Marian Nimon, interview by David Zuckerman and Katie Parker, February 11, 2016.

<sup>17</sup> Steve Standley, interview by Ted Howard, October, 2016.

<sup>18</sup> Steve Standley, interview by Ted Howard, October, 2016.

<sup>19</sup> Ken Grant, interview by David Zuckerman and Katie Parker, Baltimore, MD, February 5, 2016.

The background of the slide is a solid green color with a pattern of thin, light green, overlapping circles of various sizes scattered across the entire surface.

④

# Laying the Foundations

## 1 Measure your supply chain baseline

### → VENDOR LOCATION

#### Where are you currently purchasing from?

An approximate baseline is important for establishing achievable goals and targets. Pull from your purchasing data to understand where you are currently working with local vendors, and areas of unrealized opportunity. Adjust the vendor location based on your institutions definition of local (refer to the *Big Questions* worksheet).

Type of good or service	Total spend	Total spend for vendors within defined region and/or state	Total spend for vendors within city	Total spend for vendors within designated zip codes
Construction				
Consulting				
Contract labor				
Education				
Facilities & maintenance				
Florist				
Food (catering)				
Food (dining)				
Insurance				
IT & support				
Consulting				
Legal				
Marketing				
Medical equipment				
Medical supplies				
Non-medical equipment				
Non-medical supplies				
Renewable Energy				
Transportation & delivery				
Other utilities				
Other goods & services				
<b>TOTAL</b>				



→ **VENDOR DIVERSITY**

**Who are you currently purchasing from?**

List the certifications you accept for diverse suppliers. Are any of your diverse suppliers located within your designated geographic zone? What are the demographics of vendors compared to community demographics?

Type of good or service	Total spend	Total spend with minority-owned businesses	Total spend with other diverse supplier categories (women, HUB zones, veterans, LGBTQ, etc...)	Total spend with diverse vendors, located within designated geographic zone
Construction				
Consulting				
Contract labor				
Education				
Facilities & maintenance				
Florist				
Food (catering)				
Food (dining)				
Insurance				
IT & support				
Consulting				
Legal				
Marketing				
Medical equipment				
Medical supplies				
Non-medical equipment				
Non-medical supplies				
Renewable Energy				
Transportation & delivery				
Other utilities				
Other goods & services				
<b>TOTAL</b>				

## → ACCESS TO BID PROCESS

### Are local and diverse vendors already bidding on contracts?

Review bids submitted for geography and diversity. Are local and diverse vendors submitting bids, but not getting them? Or are local and diverse vendors not submitting bids in the first place? Understanding their current participation can help identify whether your efforts to begin with should be focused on outreach or capacity building.

Type of good or service	Total number of bids	Total bids from suppliers in designated zip codes or defined target geography	Total bids from diverse suppliers	Total bids from diverse suppliers in designated zip codes or defined target geography
Construction				
Consulting				
Contract labor				
Education				
Facilities & maintenance				
Florist				
Food (catering)				
Food (dining)				
Insurance				
IT & support				
Consulting				
Legal				
Marketing				
Medical equipment				
Medical supplies				
Non-medical equipment				
Non-medical supplies				
Renewable Energy				
Transportation & delivery				
Other utilities				
Other goods & services				
<b>TOTAL</b>				

## → PROJECTING FUTURE SPENDING

### What are your upcoming contracting opportunities?

List existing contracts currently outside priority geography greater than \$250,000 (or whatever threshold makes the most sense at your institution – for instance, for construction it might be \$1 million or more). Include contract end dates, and note what contracts will be expiring soon and when to start planning to either 1) identify a new local, diverse vendor in that space or 2) work with an existing vendor on subcontracting with local, diverse businesses.

Type of good or service	Contracts that expire in zero to two years	Contracts that expire in three to five years	Contracts that expire in five plus years
Construction			
Consulting			
Contract labor			
Education			
Facilities & maintenance			
Florist			
Food (catering)			
Food (dining)			
Insurance			
IT & support			
Consulting			
Legal			
Marketing			
Medical equipment			
Medical supplies			
Non-medical equipment			
Non-medical supplies			
Renewable Energy			
Transportation & delivery			
Other utilities			
Other goods & services			
<b>TOTAL</b>			

## → FUTURE CONTRACTING OPPORTUNITIES

List potential future procurement opportunities for local and diverse vendors. These could include new facilities, retrofits, increasing sustainability through retrofits, etc.

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## → DATA INFRASTRUCTURE

Assess whether your current system can track diverse and local spend.

- Where is the data about purchasing stored? What software is used?
- Is this information centralized?
- How are reports generated? Who has authority to request reports?
- Are there barriers to tracking and reporting the data included in this worksheet?  
How can they be overcome?
- What would make it possible to track key vendor community impact variables,  
such as growth in business and added jobs?

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## 2 Survey your procurement policies and practices

Which policies and processes are working? Which are barriers to success?

### → PROCUREMENT POLICIES TO CONSIDER

#### BID PROCESS

- Yes / No
- Are you able to award points or give preference to local and diverse vendors in the bidding process?
  - How much do you weigh diversity and locality in your scoring processes?
- 

- Yes / No
- Do you have a policy that requires participation from diverse or local vendors at different thresholds in the bidding process?

- Yes / No
- Do you break up larger contracts to create additional opportunities for smaller diverse and local vendors?

#### DIVERSITY SUPPLIER DEVELOPMENT

- Yes / No
- Do you have subcontracting requirements so that prime contractors mentor local and diverse suppliers?

- Yes / No
- Do you partner with business incubators or other business development groups to support the development of new local and diverse suppliers and the expansion of existing ones?

- Yes / No
- Do you participate in “reverse trade fairs” —i.e., send your purchasing staff out into community-organized vendor matchmaking events?

#### NET PAYMENT PERIODS & INVOICING SYSTEM

- What is your current net payment period? Is this a barrier for vendors?
- 

- Yes / No
- Do you have the ability to shorten net payment periods?

- Yes / No
- Do you communicate with accounting staff about payment for local and diverse vendors?

- Yes / No
- What are the requirements of your current invoicing system? Are you able to accept paper invoices?

#### PROCUREMENT TARGETS

- Yes / No
- Do procurement targets or goals for local, environmentally preferred, and diversity purchasing exist?

- Yes / No
- Is there a process for reviewing targets over time?

- Yes / No
- Is executive leadership engaged in the process of setting local, environmentally preferred and diversity purchasing goals?

- Yes / No
- Is there a cross-departmental committee or task force that reviews progress on local, environmentally preferred, and diverse purchasing goals?

### STAFF DEVELOPMENT AND EVALUATION

- Yes / No
- Are staff sent to conferences that highlight best practices on local, environmentally preferred and diversity purchasing in health care?
- Yes / No
- Are successes or shortfalls in achieving local, environmentally preferred, and diversity purchasing a factor in employee evaluation? To what extent?

### CERTIFICATIONS ACCEPTED

- What supplier diversity certifications do you currently accept?
- 

- Are there any locally based certifications you could add?
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## ➔ PROCUREMENT PRACTICES TO CONSIDER

### POSTING BIDS

- Yes / No
- Are all bidding opportunities made public?
- Yes / No
- Are bids posted online? Is the webpage easy to navigate to?
- Yes / No
- Are bids circulated through local business support organizations, such as supplier diversity councils or small business centers?
- Yes / No
- How much advanced notice do you provide suppliers to prepare for bid opportunities?
- 

### REPORTING ON PROGRESS

- How often do you report on local and diverse spending? Who monitors these reports?
- 

- Yes / No
- Are staff held accountable for achieving these goals and objectives?

- Yes / No
- Are there opportunities to incorporate this into the current evaluation process or incentive process?

## ➔ WHAT POLICIES MIGHT HELP MAKE THE CASE?

Identify any existing organizational policies and plans that are aligned with the objectives of increasing local purchasing in underserved communities. This can help refine initiative goals, and to make the case for investing in the initiative.

### POLICY DOCUMENTS TO DRAW FROM

- Strategic Plan
  - Sustainability Plan
  - Diversity Plan
  - Mission and vision statements
  - Community Health Needs Assessment and Implementation Plan
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### 3 Map your community's assets

**How can you link with existing networks and efforts to support local and diverse purchasing?**

This mapping process will help uncover and identify resources in order to avoid duplicative efforts. Convene relevant staff members within your own organization, including community engagement staff, and the partners identified in the the "Identify your partners" worksheet to answer the following questions:

#### THE LOCAL BUSINESS COMMUNITY

Identify vendors from underserved communities that are already present in your area. Either by yourself or working through a community partner, conduct focus groups or interviews with these local and diverse vendors to assess how they perceive working with your institution:

- What do vendors like and dislike? What do vendors think your institution does well? What could improve?
- What are the barriers to doing business with your institution?
- Are vendors equipped to provide invoices that are compatible with your internal invoicing system?
- Are vendors paid in a timely enough manner?
- Are vendors satisfied with the existing technical assistance support in your community? If not, where do they believe further investment is necessary?
- Are vendors aware of upcoming contracting opportunities?
- Is your current system for submitting bids easy to navigate?
- Are smaller vendors aware of any tier two or subcontracting goals?
- Do vendors know who to engage at the institution around contracting opportunities?
- What are other gaps?

#### MAPPING THE LOCAL BUSINESS ECOSYSTEM

- What organizations do local and diverse businesses interact with to help them build capacity or receive technical assistance? What programs do they offer? Meet with key stakeholders from your identified partners to see what services they already offer in these areas, and what gaps still exist. Refer to the "Identify your partners" worksheet.
- How are other local anchor institutions supporting local and diverse sourcing? Are there any other anchor institutions—health systems, universities, community colleges, public school systems, city and county governments—with similar supply chain needs?
- On your own, or through a partner, such as your region's local community foundation or United Way, convene other area purchasing professionals to talk about shared goals and areas in which collaboration could achieve success, and identify initiatives that no one institution could do alone.





## 4 Identify your partners

Growing the capacity of local and diverse vendors in underserved communities does not have to happen alone—who else is on your team?

### → OUTSIDE PARTNERS

Who do you already work with, and with what organizations do you still need to cultivate relationships? List the following organizations in your community, and determine who you need to reach out to.

#### ORGANIZATION TYPE

#### POTENTIAL PARTNERS

Local minority chambers of commerce, women-owned business entities, or other diverse supplier networks

National Minority Supplier Diversity Council and local/regional affiliates

Mayor's Office of Economic Development, or similar city or county agency or department

Local business support organizations, such as small business development centers, loan funds, technical assistance providers, etc.

Cooperative incubators or support organizations focused on worker-, employee- and cooperatively owned businesses

## ORGANIZATION TYPE

## POTENTIAL PARTNERS

Credit unions and area financial institutions with Community Reinvestment Act requirements

Local community foundations or other locally based foundations

Community-based organizations focused on employment and job readiness

Food hubs, farmers' cooperatives, or other entities focused on local food distribution infrastructure

Other anchor institution partners (e.g. health systems, universities, community colleges, public schools, city and county governments)

Supply chain integrators<sup>1</sup>

Group Purchasing Organization (GPO)

<sup>1</sup> These include medical supply distributors, distribution centers, group purchasing organizations, and other such entities. For a full definition, refer to the Key Terms section.

## ➔ INSIDE PARTNERS

Who are the key players within your own organization that can help move this effort forward?  
List any staff members in these categories that could provide resources and expertise for an inclusive, local sourcing program. Who is already on board, and who still needs to learn about the initiative?

### INTERNAL CAPACITIES

### KEY STAFF MEMBERS

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Senior leadership (includes c-suite leadership staff, board members, the strategic planning team, etc.)

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Managers with purchasing power at the departmental level, or who oversee budgeting and purchasing requests

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Community outreach and government relations staff

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Invoice processing staff

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Legal department member with knowledge of contracting

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Legal department member with knowledge of risk management

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Office of diversity and inclusion staff

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INTERNAL CAPACITIES

KEY STAFF MEMBERS



Information Technology  
& software management

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Community health, population  
health, or health equity  
department staff

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Construction and/or real estate  
department staff

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Construction union representation

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Staff overseeing health system's  
local hiring initiative

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Facilities and maintenance  
department staff

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Real estate and/or planning  
department staff

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Sustainability department staff

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## 5 Understand your purchasing pipeline

Who contributes to purchasing decisions at your institution, and how are decisions made?

### EDUCATE ALL STAFF

Although it is easy to think of procurement and sourcing as a supply chain responsibility, in reality, local and diverse purchasing transcends many departments: clinicians, department heads and administrative staff may need to consider different vendors or invoicing practices. This process of aligning staff to these new priorities takes time in large institutions.

Better understanding all of the actors and key cost thresholds in your institution's purchasing process will enable you to circumvent potential bottlenecks and identify opportunities to shift practices. It will also highlight which staff are involved, and where to target education efforts. Promising practices include presentations at monthly departmental staff meetings, requiring mandatory professional development training hours dedicated to local and diverse spending, communications from senior leadership, and one-on-one conversations.

### STEPS OF THE PROCUREMENT PROCESS

Describe how these processes unfold within your institution. Does the process differ by contract size? By department? Do different staff oversee different areas of spending? Are there points in the process that are easier to change or people with whom to work?

Below is a list of common actors and potential cost thresholds that may trigger different policies and practices within your institution. For each cost category of spend, map out the potential paths a contract can take within the institution and name the relevant staff members:

### → COMMON ACTORS

Often, individuals outside of the purchasing department can play a role in product selection, budgeting, or contracting. Identify the staff members that have a part in your purchasing process, and those who can help implement new processes

<b>Staff and patients using the products</b>	<b>Other</b>
<b>Department heads and budget holders</b>	
<b>Supply chain and procurement staff</b>	
<b>Supplier diversity staff</b>	
<b>Legal counsel</b>	
<b>Accounting and invoicing staff</b>	
<b>Supply chain leadership</b>	
<b>C-suite and board leadership</b>	
<b>Community engagement staff</b>	

## → COMMON CONTRACT THRESHOLDS THAT SHAPE BID PROCESSES

Practices such as requiring a certain number of local, diverse vendors for larger contracts or requiring board review for long-term contracts can help institutionalize and prioritize inclusive, local sourcing strategies. Identify what your current processes are for bids of varying sizes, and what existing policies could be shifted to facilitate working with more local, diverse vendors.

Below \$50,000	Substitute the ranges listed above
\$50,000-\$200,000	with your institution's actual ranges
Above \$200,000	<hr/>
Short-term contracts	<hr/>
Long-term contracts	<hr/>
Supply chain leadership	<hr/>

## → COMMON STEPS IN SUPPLY CHAIN DECISION MAKING

Inclusive, local sourcing does not begin at the point of purchase. What factors go into your sourcing process, and where might barriers to working with local, diverse vendors exist?

1. Budgeting and priority setting	<hr/>
2. Deciding on product specifications	<hr/>
3. Contract drafting	<hr/>
4. Bid solicitation	<hr/>
5. New vendor outreach	<hr/>
6. Contract decision making	<hr/>
7. Vendor review and approval	<hr/>
8. Contract negotiations and signing	<hr/>
9. Vendor payment	<hr/>
10. Vendor feedback	<hr/>
11. Monitoring and compliance	<hr/>
12. Bid evaluation	<hr/>
13. Future contract opportunities and planning	<hr/>

What would an internal process of culture building and staff education around the importance of inclusive, local sourcing require? What points in the purchasing process will require additional focus and attention?

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## 6 Scale and sustain impact

### How do you institutionalize priorities and create organizational alignment?

The following suggestions have been identified through interviews as important elements for sustaining and scaling the impact of local and diverse purchasing initiatives:

#### 1. INVEST TIME IN RESEARCHING AND PLANNING

Current procurement and sourcing processes may not be designed to support local and diverse businesses. Spend time at the onset to understand the bottlenecks and barriers, and where the most promising opportunities lie. Some hospitals and health systems have taken up to a year to “scrub” their past spending data to understand their current processes, their current vendor landscape, and to set data-driven goals.

*Refer to worksheets 1-5*

#### 2. BEGIN WITH AREAS OF SPENDING THAT ARE EASIER TO SHIFT (I.E. “LOW-HANGING FRUIT”)

Not all items will be able to be procured from your target geography, by diverse vendors, or in underserved communities. Ultimately, business incubation or expansion strategies may be required for some categories of spend, which requires further time and investment. However, there are many areas in which spending more with local and diverse suppliers will be possible in the short-term, and focusing on this “low-hanging fruit” can help refine processes and build momentum.

Analyze your procurement by areas of spend to illuminate areas in which the shift to local, diverse suppliers may not be so difficult. Even portions of more difficult contracts can be localized and diversified; separating large contracts into smaller component parts or requiring subcontracting can help facilitate this. Focusing on “easy wins” will help institutionalize the practices and procedures to make it easier to work with local and diverse vendors in the future.

*Refer to worksheets 1 and 3*

#### 3. SET PUBLIC GOALS AND REGULARLY TRACK AND REPORT ON PROGRESS

A key best practice is to set public goals for diverse and local spending. Setting public goals not only holds your institution accountable, but it can help increase local buy-in to your program and bring stakeholders to the table. A public commitment, built on goals informed by data, increases credibility of the effort and conveys that this is a priority to your community. In order to maintain this credibility, it is important to provide community progress reports.

*Refer to worksheet 2*



#### 4. EDUCATE ALL STAFF

Although it is easy to think of procurement and sourcing as a supply chain responsibility, in reality, local and diverse purchasing transcends all departments: clinicians, department heads, and administrative staff may need to switch vendors or invoicing practices. Getting staff on board for these changes takes time in large institutions. Dedicating resources to build a new culture around procurement will help increase impact significantly. Promising practices include presentations at monthly departmental staff meetings, requiring mandatory professional development training hours dedicated to local and diverse spending, communications from senior leadership, and one-on-one conversations with staff that make purchasing and budget decisions.

*Refer to worksheet 3 and 5*

#### 5. ASK FOR FEEDBACK

Ensure that there are processes for all stakeholders—interested vendors, existing vendors, local business partners, organizational partners—to provide feedback. This is important not only to ensure the program is effective, but because it will help generate narratives about impact. Often, individual stories are compelling, and create mechanisms for qualitative feedback that can contribute to a powerful evidence base for why these initiatives matter. Collecting stories about the new jobs created and the impact they have can demonstrate why shifting spend makes a difference.

*Refer to worksheet 4*

⑤

Return on  
Investment

# Return on Investment

HOW INCLUSIVE, LOCAL SOURCING BENEFITS YOUR  
INSTITUTION AND HOW TO MEASURE BUSINESS IMPACT



## CALCULATE YOUR RETURN ON INVESTMENT

### Savings

- Create a more efficient and resilient supply chain
- Decrease community need for and use of uncompensated care
- Leverage philanthropic and public resources

### Benefits

- Improve overall community health and well-being
- Become a provider of choice
- Meet other strategic goals, such as sustainability

# Savings

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## → Create a more efficient and resilient supply chain

The data analysis and research processes required to launch local and diverse purchasing initiatives will not just benefit local purchasing, but also the entire supply chain. Although local and diverse purchasing initiatives do not require much in the way of additional capital expenses, they do require careful evaluation and redesign of supply chain processes. All aspects of purchasing, from program budget to bid solicitation, to vendor payment, to evaluation, should be assessed for opportunities to facilitate diverse and local spending. This investment in time and staff resources should not be viewed as a loss since it will illuminate opportunities throughout the supply chain to make processes more efficient and cost effective.

Another benefit of increasing local sourcing is a more responsive and resilient vendor base. Ken Grant, vice president of general services and supply chain at Johns Hopkins Hospital and Health System (Johns Hopkins) in Baltimore, Maryland noted that local vendors are often more flexible and willing to adapt to the institution's need—and many times at lower cost. Since health system contracts are often among the largest contracts in the region, local vendors put a lot of energy into satisfying these customers.<sup>1</sup>

Localizing the supply chain also increases resiliency. Steve Standley, chief administrative officer at University Hospitals (UH) in Cleveland, Ohio, explains that localizing distribution of medical equipment ensures that the hospital system can maintain critical functions even when weather emergencies compromise interstate transportation. Using local vendors can decrease transportation time and ensure a more accessible stock of goods if unexpected needs arise.<sup>2</sup>

### VARIABLES TO MEASURE

- Cost savings from new contracting opportunities
- Vendor response time
- Vendor evaluation and performance records
- Emergency procurement plans for critical items

### WAYS TO INCREASE IMPACT

- Create a full-time staff position to oversee diverse, local sourcing that reports directly to supply chain leadership

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## → Decrease community need for and use of uncompensated care

“Sourcing locally provides a benefit to the community. An inclusive sourcing process can reach uninsured patients,” explained Todd Gray, the director of supplier diversity at Grady Health System (Grady) in Atlanta, Georgia. Inclusive, local sourcing facilitates job creation, which not only improves the local economy, but also increases community members' access to health insurance, as more residents are hired into positions that include health benefits. By channeling procurement dollars to local businesses, hospitals and health systems can help increase the number of insured patients, which in turn benefits the entire health system.

Tom Serafin, the director of food services at Concord Hospital in Concord, New Hampshire, explained the hospital's commitment to working with local producers: "What is so essential to be successful in healthcare is to have a strong local economy. Who pays our bills? Insurance companies. Who pays [insurance companies]? Employers. Or the government. But [hospitals] can't survive on what Medicaid pays. We are surviving on revenue from local insurance companies...We cannot afford leakage. It's a circle that's essential."<sup>3</sup> Working with local businesses that employ people who utilize hospital services can reduce the "leakage" Serafin refers to.

#### VARIABLES TO MEASURE

- Living wage jobs (with health insurance) created from increased business with the health system
- Insurance enrollment of patient base
- Vendor evaluation and performance records
- Decreases in costs of uncompensated care for health system

#### WAYS TO INCREASE IMPACT

- Include provisions around better wages and health benefits in Requests for Proposals (RFPs)
- Provide technical assistance to local vendors on how to provide healthcare benefits to their employees

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### → Leverage philanthropic and public resources

Another benefit to health systems adopting local sourcing initiatives is that they can attract and leverage philanthropic and public funding to do so. Mary Beth Levine at UH, described how their focus on creating economic opportunity brought more resources to supplier diversity efforts. "It certainly opens up access to national foundations and national funding... Local is one thing but if you combine local with job development and economic opportunities, and raise up communities that historically have been underserved, then I think it really resonates." Specifically, Levine said that their work with Evergreen Cooperatives, a network of worker-owned businesses that hire from these same underserved neighborhoods, helped open up the hospital donor pool.<sup>4</sup> While philanthropic and public resources should flow to community-based groups leading the efforts, health systems can play a convening role, or even write letters of support for community grantees. Public and philanthropic investments in the local business ecosystem will necessarily benefit the hospital's supply chain.

Some communities already have a strong ecosystem of organizations working to support inclusive, local businesses. Health systems can help anchor such development. For example, business support organizations often provide technical assistance to vendors working with the hospital or health system. Collaboration between the hospital and these organizations can help make technical assistance programming more effective, as business owners are able to prepare for and apply their recently acquired knowledge to actual contracting opportunities. The hospital is then able to leverage the expertise and business acumen of the organization providing technical assistance, and benefit from a more qualified vendor base.

#### VARIABLES TO MEASURE

- Value of services provided by partner organizations
- Philanthropic and public funding for vendor development
- Grants available for community economic development efforts
- Increased donor interest in supporting nontraditional programming and supports

#### WAYS TO INCREASE IMPACT

- Develop partnerships with organizations focused on inclusive, economic development

## Benefits

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### → Improve overall community health

An important benefit of inclusive, local purchasing initiatives is that they channel dollars into the same communities that comprise the health system and hospital patient base. Improvements in the financial well-being of these communities can in turn facilitate community health improvement. In essence, purchasing becomes another avenue that the hospital can utilize to achieve its mission of improving the health of the surrounding community. Tim Martin, manager of supplier diversity contracting at CHRISTUS Health, based in Irving, Texas, described how this is a critical element underpinning their program: “Look back to our vision and mission statement. Although we view things from a national perspective, our main objective is serving customers in the communities we have responsibility for and we have to look at our impact on those communities. The DNA of our supplier diversity program fits well into the DNA of the organization...Our program is based on the community and the population, as well as system goals.”<sup>5</sup>

Seen this way, local and diverse purchasing is not simply an additional program, but rather a new way of doing business that acknowledges the many ways a health system can positively affect the surrounding community. Standley at UH explains: “It’s a proactive repositioning of the organization’s business model. It’s not just the right thing to do, it’s going back and revisiting the mission of the hospital. The hospital is originally here to respond to healthcare needs... For the most part, that has been defined as what comes in. We’ll treat what comes in. Not: can we get out there and stop what’s causing this behavior? That’s the jump, that’s the big move.”<sup>6</sup>

By focusing procurement dollars that are already budgeted for regular hospital expenses on the same communities that make up the patient base, and specifically those facing the greatest health disparities, health systems can shift existing resources to a proactive prevention approach. This is especially important as the healthcare reimbursement shifts from “volume to value” and hospitals are held accountable for the health of the populations they serve. Leveraging operations dollars for the overall mission of health improvement can help institutions stay ahead of this shift.

#### VARIABLES TO MEASURE

- Spend with local, diverse businesses
- Number of local, diverse vendors with hospital/health system contracts
- Living wage jobs created from increased business with the hospital/health system
- Community health measures

## WAYS TO INCREASE IMPACT

- Include provisions around better wages and health benefits in RFPs
  - Expand employee-owned businesses and worker-owned cooperatives, or other inclusive business structures
  - Concentrate on neighborhoods most affected by unemployment and disinvestment
  - Focus on populations most impacted by health disparities
- .....

## → Become a provider of choice

“Consumers do business with organizations who do business with them,” explained Gray when discussing the benefits of Grady’s procurement initiatives.<sup>7</sup> An important outcome of local, diverse spending initiatives is that they can elevate the profile of the hospital in the community. As the hospital increases its footprint in terms of local spending, it also increases the number of residents who come into contact with the hospital. “When those people get ill, they are going to remember ‘I received that contract from Parkland,’” said Indria Hollingsworth-Thomas, the supplier diversity director at Parkland Hospital and Health System in Dallas, Texas. “They will say, ‘this is where I want to get my healthcare.’ Our leadership saw the benefit of strengthening our community partnerships and took steps to ensure supply diversity was elevated and included in Parkland’s 2020 Strategic Plan...We needed to focus on inclusion. We needed to focus on doing business with diverse suppliers, because we wanted to build those relationships,” she explained.<sup>8</sup> Outreach to new vendors can also serve as outreach for the hospital in general. And once the hospital has a reputation for doing business in the community, it can help make the hospital stand out.

Local and diverse purchasing initiatives can make hospitals employers of choice for the community, just as they are healthcare providers of choice for their patients. Levine describes how UH’s reputation for community engagement and working with local companies is a draw for physicians and employees. “One of our selling points is that we have these initiatives and that we look to create opportunities for local companies.” UH has built education about the program into their recruitment strategy.<sup>9</sup> According to Standley, questions about UH’s supplier diversity program dominate the town hall meetings that CEO Tom Zenty hosts with employees. They have found that younger employees, in particular, come with a set of expectations around community engagement, and UH living its stated values appeals to them.<sup>10</sup>

Hospitals also benefit from being located in thriving communities. Referring to large institutions and businesses located in Baltimore, Grant from Johns Hopkins said: “when Baltimore suffers, we all suffer.” Especially for health systems that rely on patients coming in from out of town, a thriving local business community can increase the hospital’s appeal. Johns Hopkins sees its supplier diversity program as a way to make Baltimore a more thriving city that attracts patients.<sup>11</sup>

## VARIABLES TO MEASURE

- Number of diverse and local vendors
- Market share
- Internal and external surveys assessing perception of the hospital’s role in the community

## WAYS TO INCREASE IMPACT

- Link supplier diversity to broader community engagement efforts



## → Meet other strategic goals, such as sustainability

Local and diverse spending can help hospitals meet other strategic goals, such as increased sustainability and institutional diversity. The benefit of linking these efforts to procurement initiatives is two-fold: it leverages the resources of the supply chain and procurement departments to meet other institutional goals, and it provides further justification for working with local vendors that help achieve these strategic goals. In addition, factoring in values such as environmental sustainability can increase the value proposition for working with local vendors.

For Cleveland Clinic, in Cleveland, Ohio, the decision to source locally with the Evergreen Cooperatives was a “triple win:” helping them provide local economic impact, achieve their mission, and reach their environmental goals. For example, Cleveland Clinic is working with one of the Evergreen enterprises, Evergreen Energy Solutions, which focuses on environmental retrofits and sustainable construction, on an LED light bulb retrofit project. This initiative will allow the Cleveland Clinic to meet its energy reduction and sustainability goals, while also providing enough work for fifteen jobs over a two-year period.<sup>12</sup> In this case, the Evergreen businesses were designed with an environmental focus. In other cases, depending on the sustainability and environmental goals of the health system, local vendors might be flexible and willing to incorporate sustainability into their business plans and product designs.

Another way to achieve cost savings is to focus on the total cost of ownership. For many healthcare medical devices, products, and services, there are hidden costs that are not always reflected in the price and may not be considered when institutions are making procurement decisions. The Practice Greenhealth Cost of Ownership Calculator and toolkit allows for the comparison of four purchasing scenarios, factoring in energy, water, waste, and cleaning and sterilization costs to help healthcare providers evaluate the total cost of goods and services and the return on investment. To learn more visit: <https://practicegreenhealth.org/initiatives/gsc/tco>

### VARIABLES TO MEASURE

- Institutional sustainability goals
- Variables around the environmental impact of purchases, including transportation miles, chemicals used, and waste disposal

### WAYS TO INCREASE IMPACT

- Work with business incubators and local vendors to customize

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<sup>1</sup> Kenneth Grant, interview by David Zuckerman and Katie Parker, Baltimore, MD, February 5, 2016.

<sup>2</sup> Steve Standley, interview by Ted Howard, October 2, 2016.

<sup>3</sup> Tom Serafin, interview by David Zuckerman and Katie Parker, October 29, 2015.

<sup>4</sup> Mary Beth Levine, interview by David Zuckerman and Katie Parker, May 10, 2016.

<sup>5</sup> Tim Martin, interview by David Zuckerman and Katie Parker, February 19, 2016.

<sup>6</sup> Steve Standley, interview by Ted Howard, October 1, 2016.

<sup>7</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016.

<sup>8</sup> Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016, transcript.

<sup>9</sup> Mary Beth Levine, interview by David Zuckerman and Katie Parker, May 10, 2016.

<sup>10</sup> Steve Standley, interview by Ted Howard, October 2, 2016.

<sup>11</sup> Kenneth Grant, interview by David Zuckerman and Katie Parker, Baltimore, MD, February 5, 2016.

<sup>12</sup> Andi Jacobs, Hermione Malone, Christine Foley, and Neil Gamble, interview by David Zuckerman, Cleveland, OH, January 12, 2016.

# Appendix



## MORE RESOURCES

For a detailed appendix including sample policies, contracts and templates from the health systems profiled, contact information for practitioners, and further reading and research on inclusive, local sourcing, go to:

<http://hospitaltoolkits.org/purchasing/more-resources/>

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## Interviewees & Advisory Committee

We are grateful to the many healthcare practitioners and leaders that took time from their busy schedules to share their knowledge fully and provide their feedback and input in reviewing drafts of this toolkit. In addition, we appreciate the time and energy of those who served on our advisory committee, guiding us in the right direction to create a strengthened resource for the field.

### LIST OF INTERVIEWEES

Alyssa Berman-Cutler, University of Chicago  
Mark Cartwright, Vizient  
Stacia Clinton, Health Care Without Harm  
Mary Crawford, Duke University Health System  
Howard Elliott, Elliott Management Group  
Brenda Grant, Charleston Area Medical Center  
Kenneth Grant, Johns Hopkins Health System and Hospital  
Todd Gray, Grady Health System  
Anton Gunn, The Medical University of South Carolina  
Indria Hollingsworth-Thomas, Parkland Health and Hospital system  
Andrea Horn, Duke University Health System  
Andi Jacobs, Cleveland Clinic  
Leo LaRosa, Boston Medical Center  
Alejandro Leza, Chicago Anchors for a Strong Economy  
Mary Beth Levine, University Hospitals  
Tim Martin, CHRISTUS Health  
Nitika Nautiyal, Chicago Anchors for a Strong Economy  
De Asa Nichols, Cincinnati Children's Hospital  
Marian Nimon, MD Anderson Cancer Center  
Tom Serafin, Concord Hospital  
Steve Standley, University Hospitals  
Calvin Wright, Mercy Health  
Kathryn Yaros, Chicago Anchors for a Strong Economy

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# Tools for Getting Started

# Simple Policy Fixes

## SMALL PROJECTS WITH BIG IMPACT

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1. Create department and staff positions dedicated to inclusive, local sourcing
2. Require that local and/or diverse vendors are considered in Request for Proposal (RFP) pool
3. Make inclusive, local sourcing an explicit goal in the strategic plan and other policy documents

### CREATE DEPARTMENT AND STAFF POSITIONS DEDICATED TO INCLUSIVE, LOCAL SOURCING

In addition to incorporating local and diverse spending goals into job descriptions and evaluations for supply chain managers, it is helpful, at least initially, to set aside and dedicate staff time to inclusive, local sourcing programs. Dedicating at least one full-time staff position to these programs elevates and prioritizes the work, ensuring that it is not simply added as an additional project to already busy workloads. This approach will also increase institutional capacity, which can be directed towards crafting a broader long-term strategy around inclusive, local sourcing.

This individual, or, ideally, team of individuals if a whole department is created, can conduct internal and external outreach and handle compliance. Internally, they can help educate department staff about goals, brainstorm opportunities, and troubleshoot to address barriers. They can also coordinate the goal-setting and evaluation process, and ensure progress is reported on a regular basis. Externally, it is important to have a go-to person for vendors to communicate with. This staff person can identify potential vendors, work with them on their registration process with the system, and act as the liaison between the various departments they interact with. Although it is currently more common to have a position dedicated to supplier diversity or sustainability programs, including local sourcing as a priority as well ensures alignment across organizational goals.

The interviews that informed this toolkit revealed that, for programs with strong inclusive, local sourcing initiatives, it was often the decision to hire a full-time coordinator, or director of supplier diversity, that helped nascent or informal supplier diversity programs evolve into cohesive strategies. Mary Crawford, the director of procurement programs for Duke University Health System (Duke) in Durham, North Carolina explained that investing in a full-time staff position for supplier diversity established it as an institutional priority, elevated its profile internally and increased the overall effectiveness of the initiative. Procurement sourcing staff at Duke are also involved in outreach and diverse vendor recruitment, ensuring that diverse vendors have a dedicated team of champions advocating for them within the institution.<sup>1</sup>



A staff position dedicated to local and diverse sourcing helps build an internal culture in which all staff members are on board and knowledgeable about the program's goals. Often, sourcing can be decentralized, with decisions spread across department-level leaders. Moreover, purchasing decisions are influenced by the end-users of products, and personal brand preferences can serve as a barrier to switching vendors. A dedicated staff member can work to shift internal culture through trainings, education, and one-on-one conversations, so that all departments incorporate local and diverse sourcing values into their budgeting and decision making.

One supplier diversity professional emphasized the importance of reaching “the frozen middle”—individuals who make decisions about purchasing independent of the supply chain department. Although individual contracts may not be large, cumulatively they account for a significant portion of spend; and, while individual contract services (e.g. catering, printing, staffing) are usually procured at a department level, they are often provided by local, diverse vendors. The supplier diversity department conducts “internal town hall-style meetings” with departments across the institution to review supplier diversity goals and help managers meet them.

Duke uses a similar departmental outreach strategy. The supplier diversity team is working to develop a video presentation to be used as an educational tool at business manager meetings across departments. The video includes messages from leadership about the importance of the program as well as stories from diverse vendors. Crawford explained that this method helps reach more people. “Leadership support is key, but it is essential to reach managers and administrative staff across the community, or you cannot expect change. The folks making daily purchasing decisions—the frontline staff—need to support these efforts as well, as it is easy to continue with an existing process and overlook the opportunity for change.”<sup>2</sup>

#### **REQUIRE THAT LOCAL AND/OR DIVERSE VENDORS ARE CONSIDERED IN REQUEST FOR PROPOSAL (RFP) POOL**

A critical first step to working with diverse and local vendors is to ensure that they are bidding for contracts in the first place. To bid for proposals, vendors need to believe that it is worth their time to do so. One way to help with this is to require that local and diverse firms are part of every bidding pool in order for it to be considered competitive, guaranteeing that a minimum amount of outreach to these vendors is taking place.

Requiring participation can be an important tool in situations where explicit preference is not possible; for example, if there are state regulations around requirements for competitive bids. Parkland Health and Hospital System (Parkland) based in Dallas, Texas employs this strategy. Each procurement opportunity, even if it is under the threshold to go through the formal RFP process, requires the solicitation of at least one minority- or woman-owned business enterprise (MWBE) if there are potential vendors in that space.<sup>3</sup>

Similar policies could be implemented regarding local vendors. Henry Ford Health System (HFHS) in Detroit, Michigan, created a policy that requires the participation of MWBEs, linking the policy to their commitment to support the surrounding community. The policy statement, part of their broader Transparent Sourcing Policy, reads: “in conjunction with the HFHS commitment to the local community and the objective of developing women and minority-owned businesses, SCM Strategic Sourcing and SCM Procurement and Vendor Compliance Management will ensure at least one or more qualified women and minority-owned firms are included in the bidders list whenever applicable.”<sup>4</sup>

A necessary precursor to this policy is having a staff member or department dedicated to identifying and vetting local and diverse vendors. At Parkland, each contracting opportunity goes through the supplier diversity department, and they provide other departments with the list of qualified vendors. Other hospitals and health systems work with outside partners to identify qualified local and diverse vendors. Mercy Health, based in Cincinnati, Ohio, partners with a local supplier diversity consultant to identify qualified vendors.<sup>5</sup>

Another common practice is for supplier diversity staff members to consult with other area anchor institutions, to see if they have identified local, diverse vendors for specific areas of sourcing.<sup>6</sup> State and county agencies, minority chambers of commerce, and minority supplier advocacy organizations also may have vendor lists available to supplier diversity professionals. Marian Nimon, the associate director of the Historically Underutilized Business (HUB) & Federal Small Business Program at MD Anderson Cancer Center in Houston, Texas, explained that the State Comptroller's Office maintains a master list of diverse vendors, which helps her identify qualified vendors in the Texas area. By linking policies requiring local, diverse vendor participation to these outreach and support networks, health systems can grow their pool of qualified vendors.

### **MAKE INCLUSIVE, LOCAL SOURCING AN EXPLICIT GOAL IN THE STRATEGIC PLAN AND OTHER POLICY DOCUMENTS**

Many procurement processes are focused primarily on cutting costs. Without explicit inclusion of other priorities, ingrained habits and practices that favor larger firms will often preclude local businesses from opportunities. Unfortunately, this can be the case even when local businesses could offer the institution greater responsiveness to strategic goals (e.g. sustainability), higher quality, or lower costs. Including local and diverse sourcing goals in institutional and system documents, such as strategic plans, communicates these goals as priorities to both staff and the community. Moreover, it also signals a level of support that can transition the health system from an institution focusing on lowest cost sourcing to one that concentrates on total value, a more holistic measure that sets the institution up for long-term success. Since these policies require board and c-suite approval, making this change will also engage leadership in setting and evaluating these goals. Rather than an ancillary business activity to the hospital's mission, procurement can be framed explicitly as a means to support local economies and community health.

Another area in which local and diverse purchasing can be elevated is in the implementation plans that not-for-profit health systems develop as part of the required Community Health Needs Assessment (CHNA) process. For example, Charleston Area Medical Center (CAMC) in Charleston, West Virginia identified unemployment and financial insecurity as concerns through that assessment. As such, one of the goals in CAMC's implementation plan is to help support regional economic growth. In response to this goal, they researched possible avenues of support and found that purchasing local herbs could bolster the local agricultural community and improve the meals they served to patients, adding to the flavor of foods while reducing unhealthy ingredients, such as salt and sugar.<sup>7</sup> Identifying this strategy in their implementation plan further reinforced the importance of their local purchasing efforts. It also ensured that progress on this goal is being tracked.

Another option for institutions is to create a separate sourcing policy that articulates goals for working with local and diverse suppliers. This, again, can help justify the time investment needed to shift practices. An example of this is HFHS's Transparent Sourcing Policy. The policy outlines clear procedures for different types of procurement contracts and names the staff members and departments responsible for each step. But perhaps most importantly, it states that, as a policy, sourcing decision makers can give weight to qualities other than price. The policy gives "minimum weights" for selection criteria, and states that minority vendor participation must be weighted at least five percent. The policy was approved by the president and chief operating officer, illustrating a high-level commitment to these practices. Moreover, since these goals were embedded within a broader transparent sourcing policy, the message was sent that working with diverse vendors is the standard for how the institution conducts its business.<sup>8</sup>

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- <sup>1</sup> Mary Crawford, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>2</sup> Mary Crawford, interview by David Zuckerman and Katie Parker, January 21, 2016.
- <sup>3</sup> Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016, transcript.
- <sup>4</sup> Henry Ford Health System, "Transparent Sourcing Policy and Procedures," June 2014, 1.
- <sup>5</sup> Calvin Wright, interview by David Zuckerman and Katie Parker, Cincinnati, OH, January 14, 2016.
- <sup>6</sup> Indria Hollingsworth-Thomas, interview by David Zuckerman and Katie Parker, January 21, 2016, transcript.
- <sup>7</sup> For more information, see: the CAMC Case Study; Charleston Area Medical Center, "2014 Community Benefit Report" and "Report on 2014-2016 Implementation Strategies," 2015, <http://www.camc.org/documents/Community/2014/2014CAMCCommunityBenefitReportandReporton2014-2016ImplementationStrategies.pdf>.
- <sup>8</sup> Henry Ford Health System, "Transparent Sourcing Policy and Procedures," June 2014, 3.

# Quick Practice Upgrades

## SMALL PROJECTS WITH BIG IMPACT

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- **Adjust payment periods and invoicing processes to accommodate small businesses**
- **Incorporate local and diverse spending objective into job descriptions and evaluations for supply chain**
- **Communicate with community partners about contracting opportunities and supply chain needs**

### ADJUST PAYMENT PERIODS AND INVOICING PROCESSES TO ACCOMMODATE SMALL BUSINESSES

Systems for processing invoices and paying vendors may inadvertently create barriers for small businesses. As supply chain departments adopt electronic invoicing, small businesses may not always have the necessary software capabilities or technology to submit invoices electronically. Another possible barrier is net payment terms, or the period of time it takes to issue payment for an invoice. Often, small businesses are not in a position to wait up to a month or more to receive payment, especially as they incur payroll and other costs associated with executing the contract. These barriers can discourage vendors from competing for the contract in the first place, or create significant operational burdens in delivering on the terms of the contract.

Some hospitals and health systems have addressed the electronic invoice issue by continuing to accept paper invoices, or by providing technical assistance on electronic invoicing. CHRIS-TUS Health, based in Irving, Texas, adapted their electronic invoicing software after learning that vendors did not yet have electronic capabilities. Now, the system is able to accept scans from paper invoices, which are then converted to the proper electronic format. University Hospitals (UH) in Cleveland, Ohio has taken a different approach. Any time a new supplier is hired by UH, the supplier goes through the “supplier diversity portal” which includes invoicing training.

Grady Health System (Grady), based in Atlanta, Georgia, discovered that electronic invoicing was not a major barrier for their smaller vendors, because small business and supplier diversity advocates already trained small businesses on how to “ramp up” invoicing processes. “The [supplier diversity] councils have talked about [electronic invoicing] over the last five years, so diverse suppliers are at the forefront,” explained Todd Gray, director of supplier diversity at Grady. Partners such as supplier diversity councils can be a key resource for ensuring that vendors are prepared for invoicing requirements.

Procurement departments have addressed the issue of payment periods by allowing for shorter payment terms or setting up standing orders to speed up processes. This strategy is employed by Duke University Health System in Durham, North Carolina. Director of Procurement Programs Mary Crawford explained that in some cases at Duke, most notably when vendors were required to invest in initial high inventories, standard payment terms were creating barriers for small vendors. To address this, Duke adjusted the net payment terms for these contract orders from thirty days to fifteen days. In addition, they modified the standing order process so vendors could have their payments processed more quickly. One supplier diversity professional explained that they try to pay vendors as often as they pay employees—every two weeks. Moreover, they work with suppliers on a case-by-case basis if payment periods present an issue.

## INCORPORATE LOCAL AND DIVERSE SPENDING OBJECTIVES INTO JOB DESCRIPTIONS AND EVALUATIONS FOR SUPPLY CHAIN

Traditionally, procurement and supply chain decision makers are evaluated and rewarded based on their ability to achieve cost savings. Although containing cost is important, evaluation should focus on “best value” instead of simply lower cost, incorporating other critical elements such as quality, the ability to meet other strategic goals such as sustainability, diversity and local, and the responsiveness of the vendor. This process includes setting goals, measuring performance based on said goals, and holding staff at all levels of the procurement process accountable to meeting them.

One best practice is to tie compensation to achievement of local and diverse spending goals. At Grady, the CEO has enabled the director of supplier diversity to set department goals for department vice presidents. These are measured annually and reported to the CEO directly. “This has allowed supplier diversity to drive to the top,” explained Gray. “Different departments have different goals, and achieving goals can lead to increased compensation.” This strategy is also being employed at CHRISTUS. Tim Martin, the manager of supplier diversity contracting explained that supplier diversity has been added to the operational dashboard that is published on a monthly basis to all the regional CEOs. Consequently, every supply chain associate is accountable to these goals in their performance evaluation, which is then tied to compensation. To earn their bonus packages, CEO’s are held responsible for meeting the overall dashboard goals.

In addition to reporting progress on goals to leadership, leadership itself should be held accountable, as demonstrated in the example from CHRISTUS. According to supplier diversity consultant Howard Elliott, tying leadership’s compensation to completion of the goals can help sustain programs. Elliott notes that this worked successfully at a Cincinnati-based hospital where the CEO required that senior leaders achieve diverse spending goals to qualify for bonus packages. Steve Standley, chief administrative officer at UH, sums up the rationale for this approach clearly: “If you get 40 percent of your salary based on hitting five major goals and one of those goals is local and diverse sourcing, that’s hard to ignore.”

## COMMUNICATE WITH COMMUNITY PARTNERS ABOUT CONTRACTING OPPORTUNITIES AND SUPPLY CHAIN NEEDS

Ensuring that communication channels are accessible to the local vendor community is a quick first step to localizing procurement. A common best practice is to create an online vendor portal that clearly provides all the necessary resources a potential supplier would need, including open bidding opportunities, and a specific institutional contact vendors can reach out to with questions. Bids can also be circulated with community organization partners, such as local or regional chapters of supplier diversity councils, minority chambers of commerce, and small business development centers. These organizations can, in turn, provide lists of qualified and certified vendors to the health system partner.

## EXAMPLES OF SUCCESSFUL WEB PLATFORMS

### 1. MD Anderson Cancer Center, based in Houston, Texas

MD Anderson maintains a website that vendors can access even before they have registered with the institution. All bids over \$50,000 are listed publicly, ensuring that all local vendors may access bids and review requirements. The website also includes historical information, which local small business development centers can use to create mock bids with businesses to help them learn about the Request for Proposal process. The website also includes details on how to make an appointment with MD Anderson staff members and features important resources for Historically Underutilized Businesses (HUBs), including: information on how to become a HUB, templates for the required HUB subcontracting plan, along with an instructional video, and state goals for HUB spending.

THE UNIVERSITY OF TEXAS

MD Anderson

Cancer Center

myMDAnderson

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PREVENTION & SCREENING

DONORS & VOLUNTEERS

FOR PHYSICIANS

RESEARCH

EDUCATION & TRAINING

CANCER MOONSHOTS

Business & Legal

Doing Business

Vendors and Suppliers

HUB & Small Business Program

Vendors and Suppliers

Vendor Terms & Conditions

Current Bids

Vendor Contact Information

HUB & Small Business Program

## HUB & Federal Small Business Program

The HUB & Federal Small Business Program at MD Anderson was established to identify Historically Underutilized Businesses (HUBs) and Small Business Concerns (SBC), and encourage them to participate in the competitive bid process.

Our mission is to increase the number of contracts awarded to American minority and woman-owned businesses, and to provide training, resources, and mentoring to help them meet institutional and legislative program goals for all purchases.

**A Historically Underutilized Business is:**

- At least 51% owned by an Asian Pacific American, Black American, Hispanic American, Native American and/or American woman, and/or Service-Disabled Veterans
- A for-profit entity that has not exceeded the size standards prescribed by 34 TAC §20.23, and has its principal place of business in Texas
- Owned by a Texas resident who actively participates in the control, operations and management of the entity's affairs

**Small Business Concerns** refers to small businesses, small woman-owned businesses, small HUB Zone businesses, veteran-owned small businesses, service-disabled veteran owned businesses and small disadvantaged businesses, with respect to subcontracting and/or the purchase of materials and supplies in support of Federal Contracts and other federally supported projects.

MD Anderson strongly supports these businesses, and we will work to facilitate their success here at

### Make an Appointment

Business hours are 7:30 a.m. - 4:30 p.m. Monday-Friday.

Vendor visits are from 9 a.m. - 3 p.m. by appointment only.

To make an appointment, call 713-745-8300.

**Our HUB Goals for FY 2016**

- 10% Building Construction
- 12% Special Trade Construction

Above: webpage for MD Anderson's HUB & Federal Small Business Program

Welcome to the University of Texas - MD Anderson Public Bids Page

[Home](#) | [Supplier Portal Login](#) | [New Supplier Registration](#) | [HUB & Federal Small Business Program](#) | [Terms & Conditions](#)

### Business Opportunities

Open for Bid

Upcoming

Closed

Awarded

All

Search by event title, number, contact, short description, or commodity code descrip

Q

Sort by

Close date descending

1-6 of 6 Results

20 Per Page

Status	Details
Open	<div> <div>Specialty Pharmacy Channel Partner</div> <div> <div>Open</div> <div>11/28/2016 11:00 AM CST</div> <div>Type</div> <div>RFP</div> </div> <div> <div>Close</div> <div>12/27/2016 4:00 PM CST</div> <div>Number</div> <div>MS-A-00426-RFP</div> </div> <div> <div>Contact</div> <div>Ashraff Hassan AHassan1@mdanderson.org</div> </div> <div> <div>Details</div> <div>View as PDF</div> </div> </div> <div>Respond Now</div>
Open	<div> <div>The University of Texas MD Anderson Cancer Center Executive and Sr Management Leadership Development</div> <div> <div>This RFP will identify a provider, or series of providers, who will deliver services to effectively enhance the leadership capabilities of the institution's executive/senior level management staff.</div> </div> <div> <div>Open</div> <div>11/17/2016 4:01 PM CST</div> <div>Type</div> <div>RFP</div> </div> <div> <div>Close</div> <div>12/20/2016 2:00 PM CST</div> <div>Number</div> <div>AIS-BUS-00416-RFP</div> </div> <div> <div>Contact</div> <div>Nicole Allen nfallen@mdanderson.org</div> </div> <div> <div>Details</div> <div>View as PDF</div> </div> </div> <div>Respond Now</div>
Open	<div> <div>Building Window Cleaning</div> <div> <div>The washing and inspection of all exterior window systems.</div> </div> <div> <div>Open</div> <div>11/17/2016 11:00 AM CST</div> <div>Type</div> <div>RFP</div> </div> <div> <div>Close</div> <div>12/13/2016 2:00 PM CST</div> <div>Number</div> <div>FAC-00417-RFP</div> </div> <div> <div>Contact</div> <div>Lola Jackson lola.jackson@mdanderson.org</div> </div> </div> <div>Respond Now</div>

Above: webpage listing open bid opportunities at MD Anderson

## 2. Johns Hopkins Health System and Johns Hopkins University, HopkinsLocal, Baltimore, Maryland

Another example of a successful health system website oriented to serving vendor partners is HopkinsLocal, an initiative of Johns Hopkins Health System and Johns Hopkins University. The main webpage includes public goals and information about the specific categories of goods and services the initiative is prioritizing. It then links to each institution's purchasing department website. What is unique about this resource is that it links to a Vendor Guide, which lists local firms by vendor category. This helps not only staff members at the institution, but also other vendors interested in working with diverse suppliers. In addition, vendors are able to email staff at BuyLocal directly to share information about their business and capabilities. This direct communication pipeline increases the likelihood that interested vendors will connect to the appropriate staff member.

ABOUT HEALTH PATIENT CARE RESEARCH SCHOOL OF MEDICINE

### JHHS Purchasing Department

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Home > JHHS Purchasing Department

#### Johns Hopkins Health System Purchasing Department

Corporate Purchasing is empowered by the Board of Directors of the Johns Hopkins Health System via the President of the Johns Hopkins Health System. This authority to act as an agent of the Health System in procurement matters under the direction of the Vice President of General Services/Supply Chain Management.

Corporate Purchasing, as an agent for the Johns Hopkins Health System, is responsible for all bidding, contracting, negotiation and procurement of all supplies, equipment and services required for maintaining operations and effective patient care in a timely and cost effective manner. [More.](#)

#### HOPKINSLOCAL

BUILD. HIRE. BUY.

As the largest private anchor institution for Baltimore City, Johns Hopkins — including The Johns Hopkins University and Health System — embraces its role as an economic engine to create lasting opportunities in our city.

**HopkinsLocal** is a firm commitment to leverage our economic power to promote economic growth, job opportunities and investment in Baltimore through our purchasing activities.

#### Johns Hopkins Faculty and Staff

- Access our [Vendor Guide](#), which highlights local firms by spend category.

#### Baltimore City Businesses

- Email [buylocal@jhu.edu](mailto:buylocal@jhu.edu) to share your capabilities and request to meet with a member of the Purchasing team.

The University and Johns Hopkins Health System Purchasing Teams have established the third Thursday morning of every month as a standard time to meet Baltimore City vendors.

[Learn more](#)

**Find a Doctor**

**Request an Appointment**

**Get a Second Opinion**

**Patient Care Locations**

**Attend a Health Seminar**

**Pay Your Bill**

**Search Clinical Trials**

<sup>1</sup> Tim Martin, interview by David Zuckerman and Katie Parker, February 19, 2016.

<sup>2</sup> Mary Beth Levine, interview by David Zuckerman and Katie Parker, May 10, 2016.

<sup>3</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016, transcript.

<sup>4</sup> Mary Crawford, interview by David Zuckerman and Katie Parker, January 21, 2016.

<sup>5</sup> Todd Gray, interview by David Zuckerman and Katie Parker, January 25, 2016, transcript.

<sup>6</sup> Tim Martin, interview by David Zuckerman and Katie Parker, February 19, 2016.

<sup>7</sup> Howard Elliott, interview by David Zuckerman and Katie Parker, Cincinnati, OH, January 15, 2016.

<sup>8</sup> Steve Standley, interview by Ted Howard, October 3, 2016.

# Readiness Checklist

Do a basic assessment of where your institution is at, and identify the steps you need to take to implement a inclusive, local sourcing initiative.

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## LEADERSHIP

- ☐ Leadership and the board have communicated organizational support
- ☐ Supply chain leadership is supportive of the program
- ☐ Supply chain managers and department heads with purchasing authority have been educated about local and diverse purchasing goals and empowered to make program decisions
- ☐ Dedicated staff have been identified to manage organizational objectives
- ☐ A business case for local and inclusive sourcing has been developed, institutionalized, and communicated

## PARTNERSHIPS AND COMMUNITY ENGAGEMENT

- ☐ Partnerships have been developed with local minority chambers of commerce and other supplier diversity organizations
- ☐ Community-based organizations working within the target geography and on issues of small businesses, and/or cooperative development, support, and/or acceleration have been identified
- ☐ Other institutions with overlapping supply chain needs have been identified as partners
- ☐ Focus groups, interviews, or other community engagement processes have identified community priorities around local and diverse purchasing
- ☐ Hospital leadership is represented on the board of local supplier diversity and business development organizations
- ☐ Community advisory board is positioned to help guide the effort and ensure that it is “with” and “by” and not just “for” the community



## DATA AND REPORTING INFRASTRUCTURE

- ☐ Current software system can track spending by zip code and/or other target geography
- ☐ Current software system can track spending by certification type
- ☐ Reports on the status of local and diverse spending can be easily generated
- ☐ Reports can be generated for specific spend categories (construction, facilities, medical supplies, etc.)
- ☐ Data can be collected on the growth of local and diverse vendors over time (size of businesses, number of jobs created, etc.)
- ☐ Future supply chain needs and projections can be assessed and communicated to partners

## STAFFING AND INTERDEPARTMENTAL INFRASTRUCTURE

- ☐ A specific position oversees the local and diverse procurement program and coordinates other members of the supply chain department, as well as department managers with purchasing power
- ☐ Representatives from the supply chain department, departmental procurement, nutrition services, the legal department, community engagement, and the office of diversity meet regularly or are part of a local purchasing taskforce
- ☐ The legal department has provided feedback on contracting and Request for Proposals (RFPs) language to ensure they meet guidelines around competitiveness (especially important for public institutions)
- ☐ The legal and/or risk departments have provided feedback on providing assistance for bonding, retainage, insurance, and other processes that may be difficult for small businesses to meet

## OTHER STRATEGIC GOALS

- ☐ Increasing local and diverse spending is listed as a strategic priority, with specific goals by purchasing type
- ☐ Local and diverse purchasing programs are linked to broader organizational diversity goals
- ☐ Local and diverse purchasing programs are linked to broader organizational sustainability goals
- ☐ Local and diverse purchasing programs are linked to healthy eating initiatives or other community health goals

## SUPPLY CHAIN PRACTICES

- ☐ Bidding opportunities are communicated regularly to partners such as local minority chambers of commerce
- ☐ Local and diverse purchasing goals are embedded within RFPs and contracts with tier-one vendors
- ☐ Invoicing periods can be adjusted to accommodate vendors who need to be paid on a faster time schedule due to capital constraints
- ☐ Assistance is provided for electronic invoicing and other technological requirements that may be a barrier for small businesses
- ☐ Participation of a certain number of local and/or diverse vendors is mandated for bids above a certain threshold
- ☐ Vendors have the opportunity to participate in a mentor-protégé program to grow their capacity, or other vendor education programs
- ☐ Technical assistance is provided for issues such as bonding and retainage, insurance, and healthcare-specific product specifications

## STAFFING AND ACCOUNTABILITY

- ☐ There is a stated and specific goal for local and diverse purchasing
- ☐ Clear definitions for local and diverse vendors exist
- ☐ Supply chain managers are evaluated based on meeting local and diverse spending goals
- ☐ Data on progress and contract compliance is reported to the board and c-suite leadership on a regular basis
- ☐ Purchases over a certain threshold are automatically reviewed by the board

## SCALING LOCAL IMPACT AND BUILDING COMMUNITY WEALTH

- ☐ Partnerships are developed with other anchor institutions to increase demand for local and diverse vendors
- ☐ Investments are made to support the small and diverse business community
- ☐ Support is given in particular to employee-owned business incubation and social enterprise development projects
- ☐ Provisions regarding just wages are included in RFPs
- ☐ Provisions regarding local hiring are included in RFPs
- ☐ Provisions regarding local and diverse contracting are included in RFPs
- ☐ Compliance documentation on local and diverse hiring and purchasing from vendors is required

# Big Questions Worksheet

## GETTING CLARITY ON WHAT MATTERS FOR YOUR MISSION

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### Where? What does “local” mean to your institution?

#### FACTORS TO CONSIDER

- Where does your patient population come from? Where do your patient populations with the greatest health needs reside?
- What areas do local business development organizations already work in?
- Are there any high-poverty zip codes in your service area? Are there any zip codes with significant health disparities?
- Have specific areas of need been identified in your strategic plan or community health needs assessment?
- Has “local” been defined in any other area of your institution such as hiring?
- Is there an established business district or business corridor? Are there existing distribution centers and transportation networks to build off of? Shared business or warehouse space to leverage for business creation/expansion?
- Will residents be able to access job opportunities that are created through existing transportation networks?

#### NOTES

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## Who? What does “community” mean to your institution?

### FACTORS TO CONSIDER

- How is “community” defined in your mission statement? Your strategic plan? Your community health needs assessment?
- Are there any particular populations identified in your community health needs assessment as underserved or with health disparities?
- What are the demographics of your surrounding area? How does this compare to the demographics of your current vendor base?
- What populations struggle the most with unemployment or underemployment?
- Who are the major actors in the local business community?

### NOTES

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## Why? Mission alignment? Long-term business case? Both?

### FACTORS TO CONSIDER

- What are your pressing supply chain needs? Are there any existing gaps? Quality concerns? Upcoming contracts or capital projects?
- How does the long-term vitality of your city, region and local economy impact your institution's long-term success and reputation?
- Is diversity identified as a priority for your institution? Are there any regulations you must follow in regards to diverse purchasing?
- Is sustainability identified as a priority for your institution? Any particular items that you are focusing on “greening”?
- How does focusing on inclusion and equity grow the local economy and improve community health?
- Does your institution participate in any collaborative economic revitalization efforts? Is there a city-level initiative around hiring and employment?
- Has unemployment been identified as a concern in your community health needs assessment? Do patient populations you serve struggle with unemployment or underemployment?

### NOTES

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# Overcoming Barriers

## PROMISING SOLUTIONS TO COMMON CHALLENGES

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### ✕ Challenges

### ✓ Solutions

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Contract is too large for any existing local and/or diverse vendor to handle on their own.

Break up the contract into smaller sizes, unbundling particular items.

Require partnerships between large, majority vendors and smaller local, diverse vendors.

Encourage tier-one vendors to subcontract to smaller local, diverse vendors

*Examples: University Hospitals, Parkland Health and Hospital System, Grady Health System, CHRISTUS Health, Duke University Health System*

Existing contracts prevent switching to or working with a local, diverse vendor.

Leverage contract renewal negotiations to encourage current vendors to sub-contract with local and diverse vendors.

*Examples: University Hospitals, Duke University Health System, Johns Hopkins Hospital and Health System*

Sector considered too competitive for mentor-protégé relationships.

Pair vendors from different sectors around common business functions such as back office support, etc.

*Examples: MD Anderson Cancer Center*

No existing vendors provide the good or service needed.

Identify local philanthropic, business development, cooperative development, local government, anchor institution and/or other partners to incubate a business that provides that good or service.

*Examples: University Hospitals, University of Chicago, Cleveland Clinic*

## ✕ Challenges

## ✓ Solutions

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Potential local, diverse vendors have no healthcare experience.

Utilize sub-contracting, contract “flipping,” or mentor-protégé relationships to help local vendors build capacity.

Conduct vendor education around healthcare-specific requirements.

Identify lower risk opportunities for initial contracts.

*Examples: MD Anderson Cancer Center, Medical University of South Carolina*

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Item cannot be procured locally.

Focus on localizing distribution channels.

Include requirements in contracts such as working with local distribution companies, warehouses, or transportation services.

Offer the opportunity of a long-term contract to encourage a firm to expand to your location and require inclusive, local hiring.

*Examples: University Hospitals, Charleston Area Medical Center, Duke University Health System, Johns Hopkins Hospital and Health System*

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Public regulations prevent preferences for local and/or diverse vendors

Require local and diverse participation forms with bids that ask for a statement on how they will encourage local and/or diverse purchasing.

*Examples: Parkland Health and Hospital System*

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Contract with Group Purchasing Organization (GPO) limits the amount of discretionary spending available.

Leverage future contracting opportunities with GPO to encourage a switch to local and diverse vendors.

Encourage GPO to identify local, diverse options as its customer.

Develop plan to reduce institutional dependency on GPO procurement.

*Examples: Parkland Health and Hospital System, University Hospitals*

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