

# Agenda Item 5: Commission Recommendations

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(or designee)*

# Evolution of HSDC's Work

March 2021

- Commission formed under AB 962 authority

November 2022

- First year [recommendations report](#) published

March 2023

- First “En Banc” style meeting, based on commission recommendations

October 2023

- AB 1392 chaptered; expands commission role to develop voluntary guidelines and provide recommendations for outreach & assistance.

May 2024

- Discussion with commission to update recommendations

# AB 1392 Summary – *Commissions Role*

- AB 1392 expands data collection requirements including a plan for increasing procurement from diverse suppliers.
  - First updated plans are due July 2025
- *Authorizes HCAI to undertake **outreach and assistance** and work with the commission to provide recommendations on those activities.*
- *Directs HCAI, in collaboration with the commission, to **develop voluntary guidelines for hospitals** to use when conducting their procurement.*
- Adds two additional commissioners to HSDC.
- Authorizes HCAI to create a supplier/database clearinghouse, pending Legislative appropriation.
- [AB 1392 Fact Sheet](#)

# Summary of Discussion from May and August 2024 Meeting

## Recommendations to Hospitals

- Further refine “audience” for recommendations
- How to build governance / information sharing across the organization
- Balancing precision with broadness when it comes to recommendations
- More specificity around alignment for outreach efforts.

## Support for Diverse Suppliers

- Importance of in- person events where there are actionable opportunities and minimum barriers to entry.
- Public resource to share various events and opportunities for contracting.
- Educational components to supporting understanding the health care supply chain
- Support with negotiations
- Support for B2B collaborations or joint ventures

## Recommendations to Other Entities

- Consider the role of distributors
- Changing “unique” to “distinct” in Recommendation 26
- Consider whether there is value in tracking the number of diverse vendors a GPO includes

## Recommendations to HCAI

- Develop an economic impact report
- Adopt a rating system that provides a diversity study of hospitals and suppliers.

## Voluntary Guidelines

- Have a supplier diversity policy statement
- Participate or host an annual outreach event at minimum
- Develop an RFP process that includes at least 1 diverse vendor to be included as part of the review
- Use data to drive continuous process improvement for the supplier diversity program
- Consider how to link supplier diversity efforts to the broader organizational health equity priorities.
- While the guidelines are voluntary, we are committed to stretch goals

# Voluntary Guidelines

# DRAFT Voluntary Guidelines

## Commission Recommendations

Supplier Diversity Policy Statement

Review internal procurement policies

Supplier diversity webpage

Require third party certification

## External Resources

American Hospital Association

Children's Hospital of Philadelphia

Harvard Business Review

## Areas Needing Further Discussion

Recommendations around metrics

Recommendations around prime supplier requirements

Recommendations around GPO requirements

Addressable spend

Other commission input

# Draft Voluntary Guidelines



DRAFT  
Voluntary  
Guidelines -  
October  
2024.docx

## Hospital Supplier Diversity Commission Draft Voluntary Guidelines

### Organizational Strategy

1. Create a supplier diversity policy statement that promotes the use of diverse suppliers. ([HSDC Year 1 Recommendation](#))
2. Define goals for a supplier diversity program and draft a clear mission statement. Create a code of conduct that ensures fair access to all suppliers ([AHA Increasing Supplier Diversity in Health Care Manual](#))
3. Consider opportunities to diversify other hospital contracts, such as those for advertising and marketing. ([AHA Increasing Supplier Diversity in Health Care Manual](#))
4. Avoid framing the supplier diversity program as a quota system or social

S

SPECIFIC

What do you want to do?

M

MEASURABLE

How will you track your progress?

A

ATTAINABLE

How will you do it?

R

RELEVANT

Is this relevant to your mission right now?

T

TIMELY

When do you want to do it?

I

INCLUSIVE

What new perspectives would non-represented groups bring?

E

EQUITY MINDED

How can you change the goal to incorporate equity and inclusion?

## Framework for developing action oriented Voluntary Guidelines



# Recommendations around Metrics

- Executive leadership should develop and implement outreach and reporting metrics that support contracting with diverse suppliers.
- Executive leadership should develop and implement hospital supplier diversity procurement metrics that are owned by executive leadership.
- Executive leadership should develop, implement, and fund an internal hospital accountability system to meet specified metrics related to outreach, diverse business usage and provision of technical support for implementation.
- Executive leadership should develop and implement an inclusion policy for hospitals to identify and track spend with diverse business enterprises (E.g., MBE, WBE, DVBE, LGBTQBE).

1. Should these recommendations be formatted into Voluntary Guidelines?
2. How should they be reformatted to be more actionable considering the SMARTIE framework?

# Recommendations around requirements for Prime Suppliers

- Executive leadership should require prime suppliers to measure and report on spend with diverse suppliers.
- Executive leadership should require the review of contract language with prime suppliers to require supplier diversity metrics for any relevant sub-contracts.

1. Should these recommendations be formatted into Voluntary Guidelines?
2. How should they be reformatted to be more actionable considering the SMARTIE framework?

# Recommendations around requirements for GPOs

- Executive leadership should update how hospitals track and report their supplier diversity outreach efforts, in order to report on how many diverse entities are onboarded as suppliers or manufacturers (e.g., GPOs and direct suppliers).
- Executive leadership should establish a percentage goal for diverse suppliers in GPOs

1. Should these recommendations be formatted into Voluntary Guidelines?
2. How should they be reformatted to be more actionable considering the SMARTIE framework?

# Addressable Spend – Commission Discussion

## Healthcare Anchor Network FY23 Data Companion

For use with HAN Data Collection

- In calculating the percentage of their total spend annually that is diverse, health systems have often excluded different purchasing categories to create an “addressable spend” denominator.
- To address this problem, HAN has sought to create a shared definition regarding spend exclusions for the healthcare sector.
- Reasonable Exclusions:
  - Spend that is not truly procurement (e.g., taxes, compensation);
  - Spend that is highly regulated (e.g., blood and organ procurement);
  - Spend with outsized impact (e.g., prime pharmaceutical distributor); and
  - Spend that is resource intensive to track (e.g., building leases).

## Facilitating Growth for Minority-owned Businesses

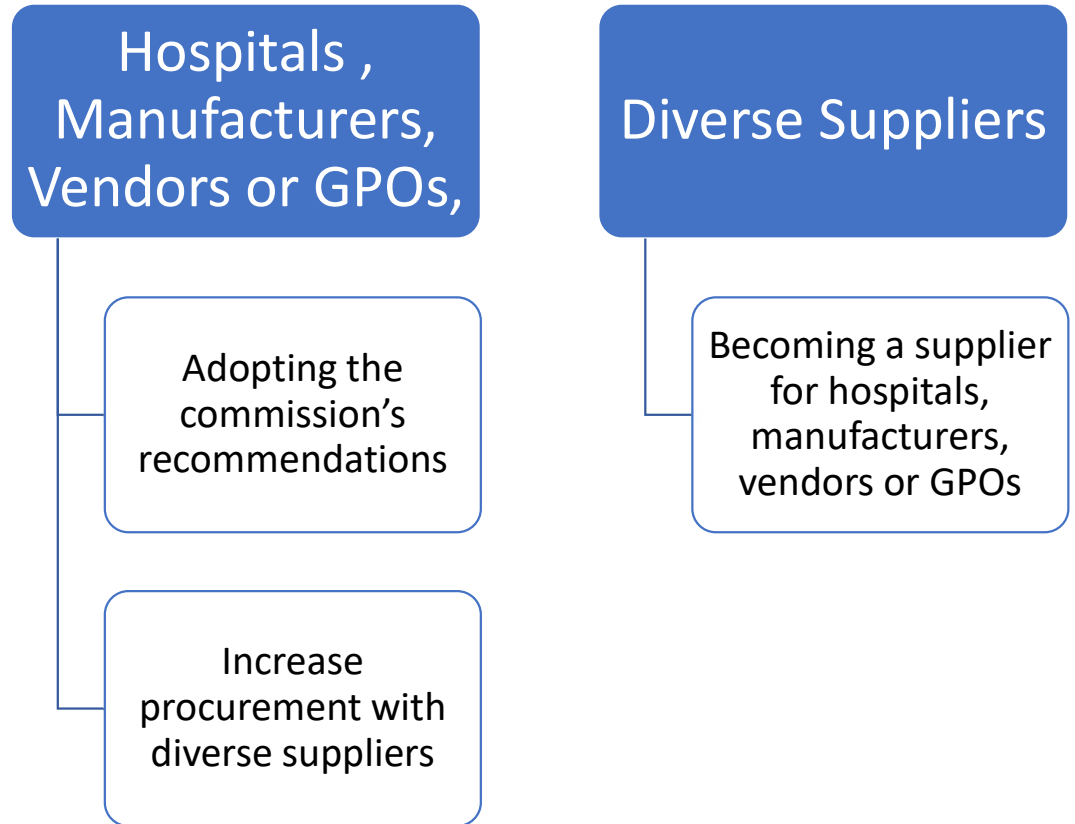
How rethinking supplier diversity and creating

- Corporations often gravitate to ‘tail spend’ or ‘indirect spend’ categories when looking to increase their supplier diversity spending.
- Areas such as construction, low-growth manufacturing, catering/food services, or janitorial services, while easy targets for supplier diversity, often tend to be in low margin and low growth areas of the economy.
- Corporations should commit to procuring from MBEs in high-growth, high-margin areas of the economy, such as advanced manufacturing, technology and professional services.

# Outreach & Assistance Recommendations

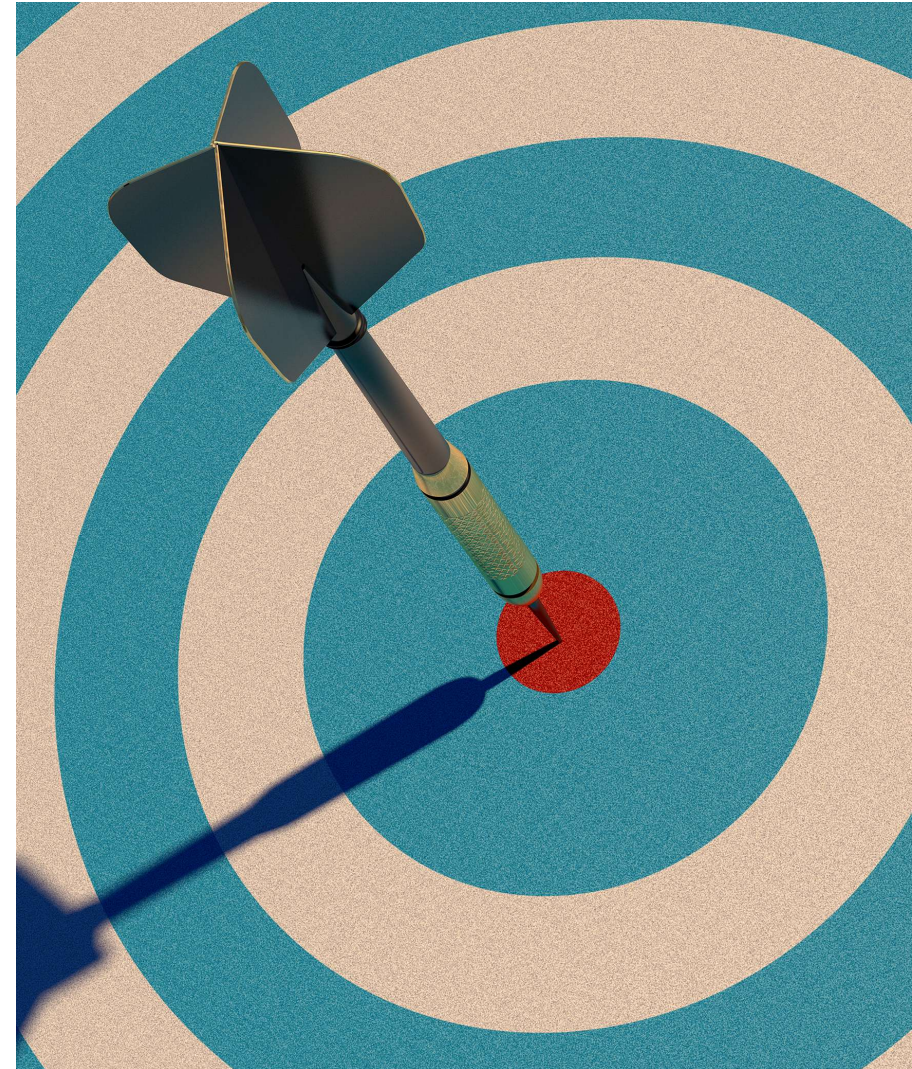
# Outreach and Assistance Activities

- HCAI is required to establish **two sets of outreach & assistance activities** based on the commission's recommendations:
  1. Outreach and assistance to hospitals, manufacturers, vendors, or group purchasing organizations of hospital goods and services who are:
    - a. Seeking to adopt the commission's recommendations, or
    - b. Looking to increase procurement from minority, women, LGBT, and disabled veteran business enterprises
  2. Outreach and assistance to minority, women, LGBT, and disabled veteran business enterprises who are:
    - a. Seeking to be a supplier for a hospital, manufacturer, vendor, or group purchasing organization of hospital goods and services



# Goals for Outreach & Assistance

1. Ensure awareness and understanding of the reporting requirements, commission recommendations, and voluntary guidelines
  - 2a. Aid hospitals to implement commission recommendations and voluntary guideline
  - 2b. Aid diverse suppliers in accessing opportunities with hospitals
3. Facilitate peer-to-peer learning to drive improvements in supplier diversity across the state



# Goal 1: Ensure awareness and understanding of the reporting requirements, commission recommendations, and voluntary guidelines

## HCAI Help Desks

- Hospital Supplier Diversity Inbox

## Commission Meetings

- Opportunity to share resources with members of the public including hospitals and diverse suppliers

## On-Demand Resources

- Hospital Supplier Diversity Program Webpage
- Regulations summary document
- Voluntary Guidelines (to be drafted)



## Goal 2a: Aid hospitals to implement commission recommendations and voluntary guidelines

### HCAI Help Desks

- Hospital Supplier Diversity Inbox

### Webinars

- HCAI hosted webinars to share voluntary guidelines and provide context for them

### Partnerships

- Partner with hospital associations to socialize recommendations and voluntary guidelines.

## Goal 2b: Aid diverse suppliers in accessing opportunities with hospitals

### HCAI Help Desks

- Hospital Supplier Diversity Inbox

### Webinars

- HCAI hosted webinars to share how to utilize hospital plans to learn about their procurement processes.

### Partnerships

- Partner with third party certification entities, chambers of commerce, and other state entities on diverse supplier engagement opportunities.

## Goal 3: Facilitate peer-to-peer learning to drive improvements in supplier diversity across the state

### Supplier Diversity Symposium

- Partnerships with PUC, CDI, DGS, Office of the Small Business Advocate and CalTrans

### Matchmaking Events

- Opportunity to connect diverse suppliers with hospitals seeking procurement needs

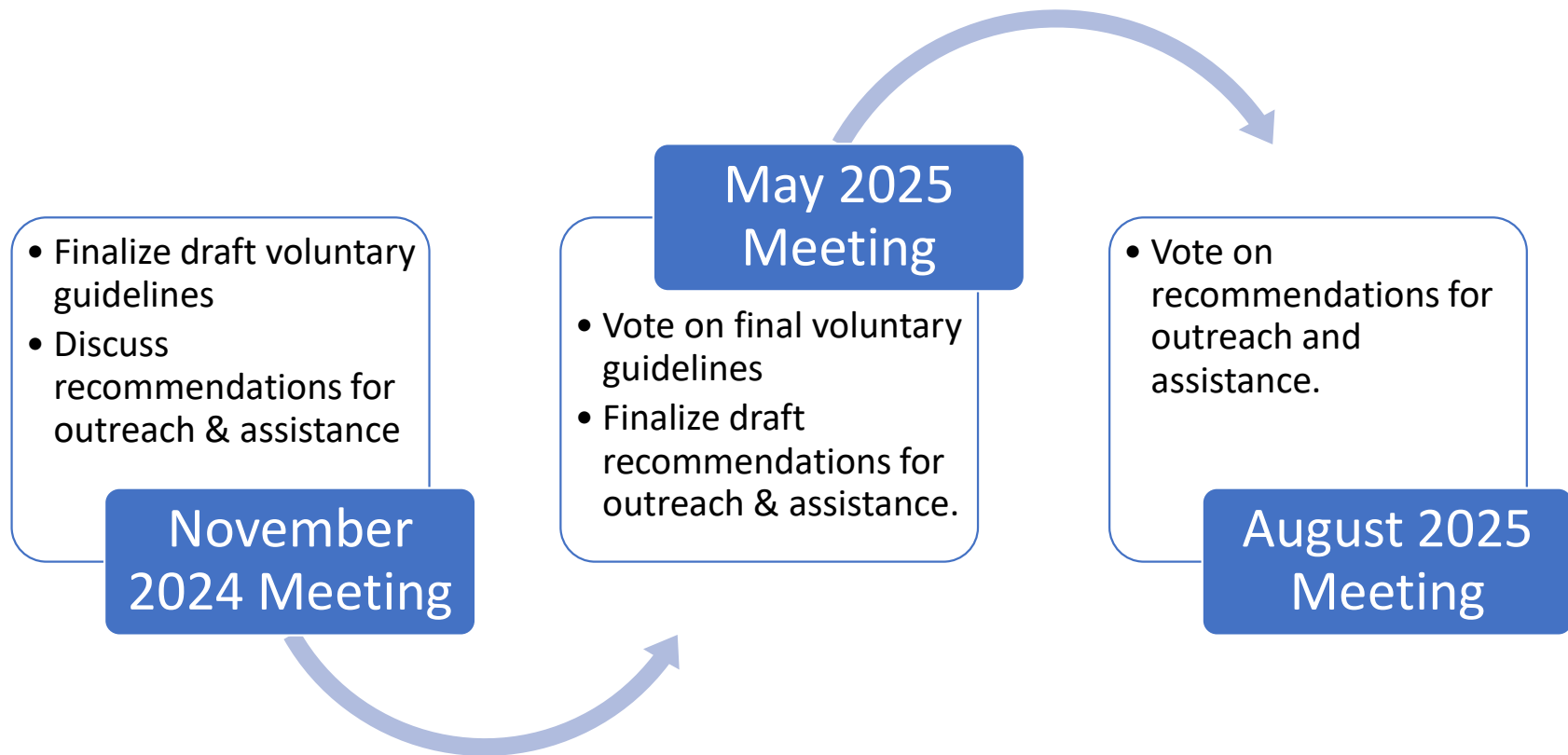
### Hospital Learning Collaborative

- Hospital learning network to share best practices for supplier diversity.

## Discussion Questions

1. How should HCAI allocate resources to effectively conduct outreach and assistance activities to hospitals and diverse suppliers?
2. What recommendations do you have for other outreach and assistance activities HCAI should conduct?

# Next Steps



# Public Comment