



## Hospital Supplier Diversity Commission (HSDC) Voluntary Guidelines



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“A healthier California where all receive equitable, affordable, and quality health care.”

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## Background

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Health and Safety Code Section 1339.87 requires the Department of Health Care Access and Information (HCAI), in consultation with the hospital diversity commission, to establish guidelines for hospitals to voluntarily utilize when pursuing procurement efforts, activities, or programs related to their supplier diversity work.

As anchor institutions, hospitals are uniquely positioned to build relationships within the communities they serve through the development, inclusion, and utilization of certified minority, women, lesbian, gay, bisexual, transgender (LGBT), and disabled veteran business enterprises whenever possible. By establishing a supplier diversity program, hospitals can work to create a more inclusive and equitable supply chain by actively seeking to engage and include suppliers from historically underrepresented groups. Some key goals a supplier diversity program supports includes the following:

1. **Increase Diverse Suppliers:** Actively seek out and include suppliers that are minority-owned, women-owned, disabled veteran-owned and LGBTQ+-owned to ensure a diverse supplier base.
2. **Enhance Economic Opportunities:** Contribute to the economic empowerment of diverse communities by providing them with opportunities to participate in business activities and contracts.
3. **Foster Innovation and Creativity:** Leverage the unique perspectives and solutions offered by diverse suppliers to promote innovation within the supply chain and enhance competitive advantage.
4. **Improve Supplier Performance:** Establish metrics to evaluate the performance of suppliers, ensuring that they meet quality, cost, and delivery standards.
5. **Establish Partnerships:** Build partnerships with organizations that support diverse businesses to enhance outreach and engagement with potential suppliers.
6. **Support Corporate Social Responsibility (CSR):** Align the supplier diversity program with broader CSR goals to demonstrate commitment to social equity and sustainability.
7. **Education and Training:** Provide education, resources, and mentorship to diverse suppliers to help them navigate the procurement process and enhance their business capabilities.
8. **Track and Measure Impact:** Implement a system to track the spend with diverse suppliers and assess the program's impact on the community and the organization's goals.
9. **Raise Awareness and Engagement:** Promote the importance of supplier diversity internally among employees and externally in the community, fostering a culture that values inclusion.
10. **Compliance and Reporting:** Ensure that the supplier diversity program adheres to all relevant laws and regulations and regularly report progress to stakeholders.

# Supplier Diversity Roadmap

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HCAI recognizes that while some hospitals have established supplier diversity programs, others are still in the process of developing or maturing their programs. This set of voluntary guidelines is designed to help hospitals across all levels of supplier diversity maturity – either supporting the initial development or helping hospitals level up their practices.

To support hospitals in assessing their own maturity, HCAI is sharing an example of a roadmap hospitals can utilize. Based on feedback from the HSDC, this roadmap has been influenced by a variety of other tools and frameworks available in the industry, such as the RGMA Five Levels of Supplier Diversity<sup>1</sup> and the Gartner's Supply Chain Maturity Model<sup>2</sup>. By carefully considering these and other external insights, we have developed this roadmap as an assessment hospitals may use for advancing supplier diversity.

The suggested levels below provide a structured path, but we encourage hospitals to accomplish what they can with their existing resources and capabilities, continually striving for progress. There are many maturity models that can be followed, and these serve as examples. This is a roadmap hospitals can follow to help increase their supplier diversity, and there will be a natural distribution of outcomes for hospitals. The HSDC will continue to further discuss a more refined roadmap at future meetings.

## Understanding Your Level:

- **Level X Achieved:** The hospital consistently meets all the requirements outlined for Level X and all preceding levels, and can provide specific examples/proof for each requirement in said level.
- **Level X Pending:** The hospital is actively working towards meeting the criteria for Level X. They have achieved all preceding levels and are in the process of implementing the guidelines specific to Level X, with a clear intent and ongoing effort to advance.

**Level 0: Non-Contributing Supplier Diversity Program:** No plans to implement a supplier diversity program.

**Level 1: Early-Stage Supplier Diversity Program:** Just getting started based on a customer requirement or an expanded diversity, equity, and inclusion (DE&I) commitment. Characteristics include:

- A supplier diversity policy statement is in place
- A public-facing supplier diversity webpage is active
- A governing body is engaged in accountability and tracking
- A designated supplier diversity lead is identified
- Supplier diversity is communicated as an internal priority and leadership is informed on progress and success stories

**Level 2: Compliance Focused Supplier Diversity Program:** The program's sole objective is to satisfy customers' diverse supplier utilization requirements. Characteristics include:

- Meets all requirements for Level 1, plus:
- Data is established to support informed goals for the supplier diversity program
- Annual awareness training is conducted for staff

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<sup>1</sup> <https://rgma.com/5-levels/>

<sup>2</sup> [The Gartner Healthcare Supply Chain Top 25 for 2024](#)

- Supplier diversity processes are shared consistently across the hospitals
- Engage with GPOs to ensure alignment with diversity goals
- Cultivate relationships with diverse suppliers through fair financial terms and support

**Level 3: Enhanced Supplier Diversity Program:** The program has visibility, but limited impact due to a lack of senior leadership engagement. Characteristics include:

- Meets all requirements for Levels 1 and 2, plus:
- Developing clear categorization of procurement groupings
- Supplier diversity programs are tied to health equity and broader business strategies
- Encourage a broad base of suppliers during supplier selection
- Data analytics processes are developed
- Working with third parties (e.g. hospital associations)
- Training and mentoring offered to diverse-owned businesses

**Level 4: Advanced Business to Business Diversity Strategy,** Characteristics include:

- Meets all requirements for Levels 1, 2, and 3, plus:
- Active C-Suite engagement
- Business diversity leader at Director Level and above and has a strategic link to category management, strategic sourcing, marketing & sales, sustainability, and community
- A savvy team supported by adequate resources
- Advisory council/steering team
- Robust business training strategy for all associates
- Innovative capacity-building strategies
- Opportunities expanded from the supply chain to the entire value chain enhances opportunities in professional services and outsourcing.
- Mission-driven Prime Supplier program
- Encourage subcontracting opportunities provided to diverse businesses
- Internal procurement policies are analyzed
- Supplier diversity goals are incorporated into the hospital's strategic plan and are framed as strategic and business imperatives
- Strategic partnerships with local/ethnic chambers
- Host matchmaking events to connect diverse vendors with leaders

**Level 5: World-Class Business Diversity Strategy,** Characteristics include:

- Meets all requirements for Levels 1, 2, 3, and 4, plus:
- Business diversity leader is a VP (or above) and active member of all Diversity and Sustainability councils and dynamic leader in local and national advocacy organizations
- Business diversity strategy is in alignment with sustainability and DE&I strategies
- Business diversity's contribution to community transformation is a C-Suite KPI
- Business diversity is integrated throughout the global supply chain
- Business units have quantitative and qualitative business diversity goals
- Contribution to market-share and shareholder value are important metrics
- M & A activity is a standard tool for building capacity within diverse suppliers, service providers, and business partners
- Earning national recognition and awards are embedded in annual plans
- Active C-Suite leadership
- Gathers relevant demographic data for suppliers, utilizing national standards
- Provides details about past and future contracting opportunities to diverse businesses

## Voluntary Guidelines

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The following set of voluntary guidelines outlines specific actions hospitals may take to achieve those supplier diversity goals, by establishing and maturing their supplier diversity programs. These voluntary guidelines should not be construed as regulated requirements; rather they are a set of best practices hospitals may follow to support increased procurement with diverse suppliers. As outlined in Health and Safety Code Section 1339.87(b), these guidelines are not to be construed as requiring quotas, set-asides, or preferences in a licensed hospital's procurement of goods or services, nor do they apply to hospital producer or licensee contracts. Licensed hospitals always retain the authority to use business judgment to select the supplier for a particular contract. Hospitals remain responsible for ensuring their compliance with all relevant requirements of state and federal law in the procurement of goods and services and activities related to supplier diversity.

### Organizational Strategy

1. Create a supplier diversity policy statement that promotes the use of diverse suppliers. Hospitals can review other [hospital's supplier diversity reports submitted to HCAI](#) to see examples of policy statements.
2. Establish data to support informed goals for the supplier diversity program, grounded in the analysis of historical spend data and anchored to national benchmarks of mature supplier diversity programs. See [Supplier IO 2024 Benchmarking Report](#) for guidance.
3. Develop clear categorization of procurement groupings to ensure opportunities to diversify across various types of hospital contracts. As an example, the Department of General Services uses the following categories which can be a model: Services (non-IT), Goods (non-IT), IT (Goods & Services), and Construction.
4. Encourage subcontracting opportunities for diverse businesses to help them establish a track record that sets them on the path to becoming prime contractors.
5. Tie supplier diversity programs with organization's health equity priorities and broader business strategies. The National Minority Supplier Development Council summarizes the link between supplier diversity and health equity in its blog "[Forging a Path to Health Equity Through Supplier Diversity](#)"

### Organizational Practices

6. Conduct an analysis of internal procurement policies to identify any that may limit or impede diverse suppliers' ability to competitively respond to bids, such as insurance and bonding requirements.
7. Implement a public facing supplier diversity webpage to inform diverse suppliers on the hospital's procurement process including the contact information of a diverse business outreach liaison.
8. Encourage a broad base of suppliers that are considered for a supplier selection

9. Conduct annual awareness training for all staff focused on the importance of supplier diversity as a business strategy to manage risk and enhance organizational health equity goals.

## Governance

10. Engage the hospital's governing body within the organization to be accountable for implementing supplier diversity and tracking performance goals and dollars spent on diverse suppliers.
11. Identify a supplier diversity lead for your organization
12. Share supplier diversity processes and strategic initiatives across the hospital at all levels.

## Metrics

13. Incorporate supplier diversity goals into the hospital's or health system's strategic plan and include specific targets for diversity spending. Frame supplier diversity goals as strategic and business imperatives, rather than simply "the right thing to do."
14. Develop the data infrastructure and analytics capacity to use data to inform and drive action. Gather relevant demographic data for suppliers. Utilizing recognized, national standards for race/ethnicity data collection, such as the Office of Management and Budget, will both help to improve the granularity of required reporting to HCAI and support more informed supplier diversity decisions.
15. Develop internal data analytics processes to measure the supplier diversity program's effectiveness and progress.

## Third Party

16. Communicate with your group purchasing organization (GPO) to ensure its practices reflect your hospital's goals, and that the GPO includes high rates of diverse supplier participation.
17. If your hospital or health system isn't doing so already, consider working with third parties e.g. hospital associations to gain access to a wide network of diverse suppliers.
18. Develop and cultivate strategic partnerships with local and ethnic chambers of commerce and other entities to facilitate the expansion of a diverse vendor network.

## Outreach and Communications

19. Cultivate relationships with diverse suppliers through fair financial terms such as accelerated payment schedule, technical and managerial services, and educational seminars.
20. Offer training and mentoring to diverse owned businesses to prepare them to partner with your hospital.
21. Host match making events to connect diverse vendors with leaders in your hospital who are looking for business contracts.

22. Provide details about past and future contracting opportunities to provide diverse businesses with valuable information on the types of goods and services that are procured by an agency and upcoming contracting opportunities, which helps diverse businesses understand what the hospital is planning to purchase in the next one or two years.
23. Communicate supplier diversity as a priority across the organization. Keep leadership across the organization informed about supplier diversity progress and share success stories on how the supplier diversity program has made a difference to those suppliers and how they have helped the hospital achieve its goals.



## Resources

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1. 2022 Hospital Supplier Diversity Commission Recommendations Report: <https://hcai.ca.gov/wp-content/uploads/2022/12/HSDC-First-Year-Recommendations-Report-Final-ADA-1.pdf>
2. 2015 American Hospital Association Increasing Supplier Diversity In Health Care Report: <https://www.aha.org/aharet-guides/2015-09-30-increasing-supplier-diversity-health-care>
3. 2024 Harvard Business Review “Building a Supplier Diversity Program? Learn from the U.S Government” <https://hbr.org/2024/02/building-a-supplier-diversity-program-learn-from-the-u-s-government>
4. 2023 Children’s Hospital Association “How to Increase Supplier Diversity” <https://www.childrenshospitals.org/news/childrens-hospitals-today/2023/01/how-to-increase-supplier-diversity>
5. 2024 National Minority Supplier Development Council “Forging a Path to Health Equity Through Supplier Diversity” <https://nmsdc.org/blog/forging-a-path-to-health-equity-through-supplier-diversity/>
6. RGMA: Redefining Supplier Diversity: <https://rgma.com/>
7. The Gartner Healthcare Supply Chain Top 25 for 2024: <https://www.gartner.com/en/supply-chain/trends/gartner-healthcare-supply-chain-top-25>
8. 2024 Supplier iO Supplier Diversity Best Practices Report: <https://supplier.io/wp-content/uploads/2024/01/2024-Supplier-Diversity-Top-5-Best-Practices-Report.pdf>