INCREASING SUPPLIER DIVERSITY IN HEALTH CARE

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INTRODUCTION

Achieving health care equity is essential for performance excellence and improved community health.\(^1\) In 2011, the American College of Healthcare Executives, American Hospital Association, America’s Essential Hospitals, Association of American Medical Colleges, and Catholic Health Association of the United States stood together in a call to action to eliminate health care disparities. As hospitals accelerate their improvement efforts in core areas that increase staff and leadership diversity and cultural competence, issues involving the economic relationship between health care systems and the communities they serve are growing in importance. One key factor in evaluating that economic relationship is supplier diversity.

Hospital leaders that have committed to supplier diversity say it contributes to cost savings, drives innovation and benefits the local community. Beyond the business and quality implications, there are demographic, regulatory and social considerations to support hospitals and health systems in diversifying their supplier base.

WHAT IS SUPPLIER DIVERSITY?

Supplier diversity is present when an organization’s contracts for goods and services feature a variety of businesses, including those that are at least 51 percent owned, managed and operated by minorities, women or veterans; those located in a historically underutilized business zone (HUBZone); or small disadvantaged businesses as defined by the U.S. Small Business Administration.\(^2,3\)

Supplier diversity emerged as a federal policy goal in the late 1960s, when President Richard M. Nixon signed an executive order requiring the federal government and its contractors to include minority-owned firms in project bids.\(^4\) Since that time, the private sector, including health care organizations, has increasingly acknowledged the value of supplier diversity.\(^5\) Mutually beneficial for buyers, suppliers and communities, supplier diversity helps health care organizations by widening the supplier pool and increasing competition on the price and quality of goods and services.

BENEFITS OF SUPPLIER DIVERSITY

As reflected in the case studies included in this guide, there are numerous benefits for hospitals or health systems that prioritize supplier diversity, including:

- Greater innovation and value through cost reductions; better contract terms and conditions and improved service
- Expansion of external partnerships – often nontraditional – in the community
- Local job creation and other community benefits
- Supplier roster that mirrors the patient and community populations
- Better understanding of supply chain sourcing process and sources
- Easier compliance with government and grant contracting requirements around supplier diversity

By adopting a supplier diversity program, hospitals and health care systems can support minority-owned businesses and communities while obtaining products and services of competitively high quality and value. In addition, there are important tangential benefits to a hospital.

The U.S. Census Bureau estimates that racial and ethnic minority groups will compose a majority of the U.S. population by 2042. By 2023, minority children will constitute the majority of U.S. children.\(^6\) As demographics change, diverse suppliers are able to provide new products and services.\(^7\) Many minority- and women-owned businesses operate in neighborhoods that benefit significantly from the employment and economic growth that diverse businesses provide.\(^8\)
IDENTIFYING DIVERSE SUPPLIERS

The National Minority Supplier Development Council was one of the first corporate membership organizations to certify businesses as minority business enterprises. Many other organizations, public and private, assist underrepresented groups, including:

» U.S. Small Business Administration
» Minority Business Development Agency (U.S. Department of Commerce)
» National Black Chamber of Commerce
» National Gay & Lesbian Chamber of Commerce
» U.S. Hispanic Chamber of Commerce
» Veteran and Military Business Owners Association
» Women’s Business Enterprise National Council

These entities help connect purchasers, such as health care organizations, with member suppliers. When doing business with diverse suppliers, purchasing organizations typically seek to contract with certified companies. Certification from several of the above organizations is nationally recognized, and certified businesses gain increased exposure to purchasers through inclusion in supplier and third-party databases. These organizations also support member suppliers through advocacy efforts, educational resources, mentoring and capacity development.

One way to identify the status of a business is to check designated websites. The Additional Resources section in this guide includes a list.

Some group purchasing organizations (GPOs) have formal, corporatewide supplier diversity programs that actively facilitate supplier diversity within first- and second-tier suppliers and health care organizations. A first-tier supplier invoices a customer for goods and services it directly renders. A second-tier supplier invoices the first-tier supplier for goods and services rendered. Because of the large start-up costs and bonding requirements for first-tier suppliers, many minority-owned businesses find successful paths to market entry as second-tier suppliers.

Since up to 98 percent of hospitals are members of at least one GPO, and more than 70 percent of hospital purchases are made through GPO contracts, it is important that GPOs are committed to establishing and sustaining active supplier diversity programs. Influencing a GPO's purchasing practices can be a challenging endeavor for hospitals, but it can be done.

Premier, a large GPO, adopted a code of conduct that emphasizes fair access of opportunities to small-, minority-, veteran- and women-owned businesses, and it created a web-based product portal to facilitate these efforts. Premier also established a supplier diversity member committee to enable member hospitals to guide the direction of their supplier diversity programs, recommend diverse companies for new contracts and share best practices on integrating supplier diversity into supply chain management.

ACTION STEPS

To increase supplier diversity, a health care organization should consider these steps:

1. 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.
2. Incorporate these 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.”
3. Communicate with your group purchasing organization to ensure its practices reflect your hospital’s goals.
4. Consider opportunities to diversify other hospital contracts, such as those for advertising and marketing.

5. Ensure that at least one minority candidate is always considered for a supplier position.

6. Appoint a champion within the organization who will be accountable for implementing supplier diversity and tracking performance goals and dollars spent on diverse suppliers.

7. Cultivate relationships with diverse suppliers through favorable financial terms, technical and managerial services and educational seminars.

8. If your hospital or health system isn’t doing so already, consider working with a group purchasing organization to gain access to a wide network of diverse suppliers.

9. Avoid framing the supplier diversity program as a quota system or social program. Instead, emphasize its importance as a business strategy that will provide a competitive advantage to the organization.
CHRISTUS HEALTH

OVERVIEW

CHRISTUS Health is an international, Catholic, faith-based, not-for-profit health system with services in six states in the United States, seven states in Mexico and one state in Chile. CHRISTUS Health has almost 350 facilities, including more than 60 hospitals and long-term care facilities, 175 clinics and outpatient centers, and dozens of other health ministries and ventures. CHRISTUS Health established the Office of Diversity and Inclusion to focus on diversity in leadership; training and education; recruitment and retention; equity of care; community partnership; and, most recently, supplier diversity.

INTERVENTIONS

In line with a commitment to diverse leadership and equity of care, the supplier diversity program emerged at CHRISTUS Health. Health system leaders believe that supplier diversity has enhanced the supply chain by bringing greater innovation and by driving greater value through cost reductions, better contract terms and conditions, and improved service. Ultimately, supplier diversity demonstrates consistency with CHRISTUS Health's core values.

A visible component of the health system's supplier diversity program has been the creation of the Diversity Supplier Council in 2014. The council consists of minorities, women, and veterans who are small-business-certified suppliers, as well as suppliers that are nationally recognized for efforts to diversify their own supply chains. The council's vision is to “bring together industry leaders willing to share their unique perspectives on how CHRISTUS Health can maximize opportunities to identify, educate, develop and increase utilization with diverse suppliers.”

The Diversity Supplier Council offers members and their organizations:

» High level of business engagement and access to CHRISTUS Health
» Mentoring and coaching to ensure they remain in excellent standing
» Opportunities to improve CHRISTUS Health’s vendor relationship management strategy

CHRISTUS Health’s supplier diversity program increases the buy-in and engagement of diverse suppliers by requiring that they attend council meetings, share in the expense of council meetings and find ways to collaborate with other organizations in the network. Through this collaboration, the health system has learned that some diverse suppliers lack significant business development capabilities compared to their much larger counterparts. Therefore, developing selling strategies to the supplier community is essential.

To increase the permanence of supplier diversity efforts, CHRISTUS Health incorporates supplier diversity language into agreements with suppliers. The health system also has created mentorship initiatives for organizations that come into their supplier diversity program. This ensures that organizations joining CHRISTUS Health first meet and maintain quality and cost expectations so there is a mutually beneficial business relationship.
RESULTS

Since establishing the Diversity Supplier Council in 2014, CHRISTUS Health has seen nearly a 100 percent increase in the number of identified diverse suppliers. The health system aims to increase its diversity spending by 30 percent over the previous fiscal year. To ensure sustainability and profitability for all parties, CHRISTUS Health's diversity program suppliers adhere to its quality and cost expectations. Some companies in the supplier diversity program surpass expectations of quality and cost. By partnering with diverse suppliers, CHRISTUS Health supply chain department's bottom line has improved.

LESSONS LEARNED

» Establishing and communicating quality and cost expectations ensure there are benefits and sustainability for all organizations involved.

» The provider organization must develop and adopt selling strategies in order to highlight their organization as one open for business.

» A reliable infrastructure, such as a diversity supplier council, can help successfully integrate new diverse suppliers into the hospital's or health system's supply chain.

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Grady Health System

OVERVIEW

Grady Health System is a large academic health system that serves the Atlanta metropolitan area and surrounding counties. Best known for its level one trauma center, emergency services and stroke care, the health system serves as the safety net provider for thousands of metro area residents. Grady Health System has been developing a stronger supplier diversity process since 2008.

INTERVENTIONS

Grady Health System began improving its supplier diversity process by setting an organizational goal of having 20 percent of its annual spending with diverse suppliers. This goal has been incorporated into performance metrics for the health system’s clinical and nonclinical vice presidents, which creates commitment from the top. Commitment and sponsorship come from the board of directors, CEO and general counsel. Grady has also incorporated language to increase diversity into all its supplier solicitation and contract templates. For all supplier solicitations, the health system notifies local and national diversity advocacy organizations.

Grady Health System has framed three pillars for diverse purchasing:

1. Ensure consistent measurement and accountability by tracking tier 1 performance and tier 2 spending goals with prime suppliers. Confirm at least one diverse supplier is included in all competitive bids across the organization.
2. Create educational awareness internally and externally to help key stakeholders and diverse suppliers understand trends, compliance and ways to grow their business in health care.
3. Focus on partnership development by identifying internal stakeholders as supplier diversity champions, and by getting involved with external national councils spanning many diversity groups.

Grady leaders believe that supplier diversity excellence is a business imperative. “An effective supplier diversity process drives economic impact; no supplier diversity process will ensure economic derailment,” says Todd Gray, director, supplier diversity. “An effective supplier diversity process has a direct positive effect on the community and the strength and loyalty of any organization’s consumer.”

RESULTS

Grady Health System now does over 28 percent of its business with diverse suppliers and small businesses, across the health system. The health system recently began a large-scale, facility development project. The $76 million expansion of its emergency department achieved 30 percent inclusion of diverse supplier contracts. This included contracting, supplies and construction services. The project is set to create more than 120 jobs. Grady’s supplier diversity program has created cost savings and strengthens its patient population by creating jobs, increasing the number of insured patients and influencing the economic environment in the Atlanta region.
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<th>LESSONS LEARNED</th>
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<td>» Focus on nontraditional areas to grow diverse suppliers. To do this and be sustainable, it is important to identify, grow, partner with, and mentor suppliers to help them be successful and meet the health care organization’s needs.</td>
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<td>» Implement a strong tier 2 program. This will create a solid learning cycle for the supplier, hands-on experience and strategic growth.</td>
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GRENVILLE HEALTH SYSTEM

OVERVIEW
Founded in 1912, Greenville Health System is a not-for-profit academic health care system that provides clinical care, education and research. The organization has evolved from a single freestanding hospital to a highly integrated delivery system and academic medical center. Greenville Health System is South Carolina’s largest not-for-profit health care system and an advocate for healthy living initiatives.

INTERVENTIONS
Greenville Health System has made an organizational effort and commitment to diversity, and its supplier diversity program has been a key component in this effort. The health system is committed to using suppliers that mirror its diverse workforce and diverse patient population.

The health system’s supplier diversity program outlines objectives to proactively procure products and services from minority-, women- and veteran-owned business enterprises. The program also aims to increase the overall supplier base that does business with Greenville Health System. This is accomplished by assisting diverse suppliers who are in the process of bidding and contracting to provide services. Key assistance methods and benefits of the supplier diversity program include:

» Utilization—integrating strategies to include competitive sourcing opportunities
» Training and education—offering training and support for minority- and women-owned businesses on how to do business with Greenville Health System
» Tracking—monitoring and reporting progress toward achieving supplier diversity targets with emphasis on continuous improvement
» Certification—verifying that businesses meet the criteria of ownership to qualify as a minority- or women-owned business
» Outreach—seeking diverse suppliers through active involvement with minority development organizations and participation in trade show events

Greenville Health System’s supplier diversity program also offers a unique opportunity for minority-, women- and veteran-owned businesses to receive mentoring through a six-month paid internship program for licensed general contractors. During this time, a minority general contractor is paired with an employee from the health system’s construction team to gain exposure to the health care field. With this exposure, the diverse general contractor is able to compete fairly with general contractors who have health care experience. After the internship, the participating general contractor receives one or more bids equaling $1 million in projects along with valuable information learned during the six-month internship.

RESULTS
The supplier diversity program has brought a renewed commitment to diversity in all aspects of operations. The program’s results support efforts to diversify the supply chain. From 2008–2014, the supply chain department has seen triple the amount of spending in diverse businesses. The health care system attributes this growth to concerted efforts to provide minority-, women- and veteran-owned businesses with more opportunities, including its supplier diversity internship.
LESSONS LEARNED

» Suppliers should reflect the diversity of the organization’s workforce and patient population.
» A supplier diversity program could include mentoring and/or internships for diverse suppliers to learn from other businesses that are part of the program.

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SAINT FRANCIS CARE

OVERVIEW

Saint Francis Care, an integrated health care delivery system in central Connecticut, is the largest Catholic health care provider in New England. Overall, Saint Francis Care provides access to almost 900 affiliated physicians, three hospital campuses, 12 satellite medical offices and a variety of community clinics. In line with its mission and vision, Saint Francis Care has continued to develop and provide care specific to the growing diversity of its community. A staple in this effort has been the Curtis D. Robinson Center for Health Equity at Saint Francis Care. The center works to decrease health disparities and narrow the gap toward achieving equity across the health care spectrum.

INTERVENTIONS

Among the initiatives supported by Saint Francis is the supplier diversity program, in place since 2012. This program has seen exponential growth due to the integration of supplier diversity into the supply chain sourcing process. In its early stages, the program did data cleansing to identify existing diverse vendors within the system and look at ways to grow those relationships.

Saint Francis Care hosts an annual health care supplier diversity event to educate vendors about how to do business within the health care field. For example, to advance its educational platform, a recent event included a session and competition on “Improving Your Elevator Pitch.” The competition winner received a scholarship to attend a program at the Tuck School of Business at Dartmouth College. The supplier diversity event is an opportunity for vendors to network with hospitals and their prime suppliers and explore upcoming opportunities.

The supplier diversity program brings in vendors offering a broad range of sizes, products and experience levels. To seamlessly integrate vendors as suppliers to Saint Francis Care, the health system recognizes the need for an exclusive mentoring process. Saint Francis Care extends mentorship to growing companies by utilization of its network. The health system aims to increase the outreach to diverse vendors by creating relationships between respective GPOs and diverse suppliers to increase access to local, regional and national contracting. The relationship also gives diverse vendors exclusive access to the Sourcing Education and Enrichment for Diverse and Small Suppliers (SEEDS) program at Premier, its GPO. Partnerships with its distributor lead to a diverse vendor receiving private labeling.

RESULTS

Saint Francis Care’s supplier diversity program has experienced exponential growth in its short tenure. The number of tier 1 vendors has increased from 21 to more than 140 since 2011. Within the same four-year span, the number of companies reporting as tier 2 has also grown, increasing from 0 to 20. The program’s growth equates to an increase in diversity spending from $1 million in 2011 to just under $10 million in 2014.
LESSONS LEARNED

- A first step in supplier diversity is identifying the existing diverse vendors.
- Creating a mentoring program for diverse suppliers can help seamlessly integrate and sustain business relationships.

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### Overview

The University of Chicago Medicine is an academic medical center located in the Hyde Park neighborhood on the south side of Chicago. In 2002, UChicago Medicine launched its business diversity office to foster inclusive sourcing as a good business practice to help reduce costs, drive innovation and benefit the local community. The medical center has been focused on working with minority- and women-owned businesses to help increase their access to the larger organization. In 2013, UChicago Medicine developed an enterprisewide diversity and inclusion strategy that included business diversity.

### Interventions

UChicago Medicine is connected directly with local minority- and women-owned firms to engage them in opportunities for business. The medical center includes these vendors in the bidding process in an effort to increase their access and business. As a result of the inclusion strategy, people and resources across the organization are dedicated to this work. For example, category leaders who are clinical and nonclinical supply chain team members source products for their segments of business in the organization, and the business diversity manager builds relationships and shares the pipeline of opportunity.

The health care organization aims to have at least 5 percent of its spending on supplies and services met by diverse vendors. Data is tracked monthly for both tier 1 and tier 2 spending. The organization maintains an internal database of diverse and minority vendors, and ensures these vendors are notified of new business opportunities.

In March 2014, the city of Chicago launched the Chicago Anchors for a Strong Economy, or CASE, program. This program was built to foster strategic relationships between anchor institutions and local vendors. UChicago Medicine plays a large role as an anchor for this program, which has resulted in creating new partnerships with local minority vendors. UChicago Local is a similar program focused on the south side of Chicago and designed to expand economic opportunities in the neighborhoods surrounding UChicago Medicine. The medical center plays a large role in this program too, to create strong relationships with diverse vendors locally. As a member of the Chicago Minority Development Council, UChicago Medicine shares best practices with other local health systems, including those in the national chapter.

### Results

All vendors, whether or not minority-owned, are assessed on the same five components: quality, cost, delivery, technology and service. UChicago Medicine has been able to leverage solid relationships with vendors while ensuring the organization receives the highest quality of products and services. Because some minority- or women-owned business have a harder time competing on price, UChicago Medicine has fostered supplier mentorships. These mentorships urge strategic manufacturers to partner with smaller minority vendors to offer better pricing. This practice has proved successful and created more business for minority vendors.
LESSONS LEARNED

» Clear communication is critical, especially with new suppliers. It is important to develop and onboard the supplier with clear capacity expectations and other organizational needs. The health care organization also needs to have a clear understanding the vendor’s agility and abilities, which will help make the relationship successful.

» It is important to establish a clear baseline when starting a new supplier diversity program in order to set realistic goals and track the program’s progress toward those goals.

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**Additional Resources**

Information to identify the status of minority-, women- and veteran-owned businesses is available online at the following websites. Please note that this list is not all-inclusive.

**Business Research Services (minority- and women-owned businesses):**
http://www.sba8a.com

**HUBZone Contractors National Council (HUBZone-certified small businesses):**
http://www.hubzonecouncil.org

**Office of Small and Disadvantaged Business Utilization, U.S. Department of Veteran Affairs: (veteran-owned and service-disabled veteran-owned businesses):**
http://www.vip.vetbiz.gov

**Service Disabled Veterans Directory:** www.veteransdirectory.com

**Paid Access**

**Disability Supplier Diversity Program of the U.S. Business Leadership Network:**
http://www.usbln.org/dsdp_memberships.html

**National Gay & Lesbian Chamber of Commerce:** http://nglcc.org/

**National Minority Supplier Development Council:** http://www.nmsdc.org/

**Women’s Business Enterprise National Council:** http://www.wbenc.org/

**Cities**

Some U.S. cities maintain websites for users to search and check if a vendor is certified as a minority-, women-, veteran- or disadvantaged-owned business enterprise. For example:

**City of Chicago MWDBE Directory:**
https://chicago.mwdb.com/FrontEnd/VendorSearchPublic.asp?TN=chicago&XID=8410

**Indianapolis Department of Minority & Women Business Development:**
http://www.indy.gov/eGov/City/DMWBD/MBE-WBE-VBE/Pages/VendorProfile.aspx

**City of Philadelphia Office of Economic Opportunity Registry:**
https://phila.mwdsbe.com/FrontEnd/VendorSearchPublic.asp?XID=5399&TN=phi

**States**

In addition, most states maintain websites for users to find certified minority-, women-, veteran- or disadvantage-owned business enterprises. For example:

California: [http://www.dgs.ca.gov/pd/Programs/OSDS.aspx](http://www.dgs.ca.gov/pd/Programs/OSDS.aspx)


Florida: [https://osd.dms.myflorida.com/directories](https://osd.dms.myflorida.com/directories)


Maryland: [http://mba.mdot.state.md.us/directory/](http://mba.mdot.state.md.us/directory/)


North Carolina: [https://www.ips.state.nc.us/vendor/searchvendor.aspx](https://www.ips.state.nc.us/vendor/searchvendor.aspx)

Ohio: [http://eodreporting.oit.ohio.gov/searchMBE.aspx](http://eodreporting.oit.ohio.gov/searchMBE.aspx)


Pennsylvania: [https://www.dgs.internet.state.pa.us/SmallDiverseBusinessSearch](https://www.dgs.internet.state.pa.us/SmallDiverseBusinessSearch)

Tennessee: [https://tn.diversitysoftware.com/FrontEnd/VendorSearchPublic.asp?TN=tn&XID=26](https://tn.diversitysoftware.com/FrontEnd/VendorSearchPublic.asp?TN=tn&XID=26)

Virginia: [http://egov1.virginia.gov/cgi-bin/search.cgi](http://egov1.virginia.gov/cgi-bin/search.cgi)

Wisconsin: [https://wisdp.wi.gov/search.aspx](https://wisdp.wi.gov/search.aspx)

Note: No single database may house all of the information needed to identify if a supplier falls into a diversity category. Consider sending a questionnaire or electronic survey to your health care organization's vendors to self-identify their diversity status.
ENDNOTES


