

# Local Vendor Engagement Program

**Finance Committee Meeting**

January 10, 2018

**Presented by Mike Moye, General Counsel and Luis Fonseca, COO**

# Background

- AHS has committed as part of its strategic vision to establish itself as an “anchor institution,” supporting and facilitating local hiring and business development, and encouraging the development of and engagement with community businesses and organizations.
- A staff workgroup has developed written program guidelines, developed a monitoring/measuring protocol, and engaged appropriate outside resources to implement the program.
- The workgroup has researched “best practices,” assessed baseline performance, and drafted policy and processes to optimize local vendor engagement and is collaborating with outside partners on the design and implementation of the AHS program.

# Internal Workgroup

- **Executive Sponsors—**

- CEO, COO, General Counsel

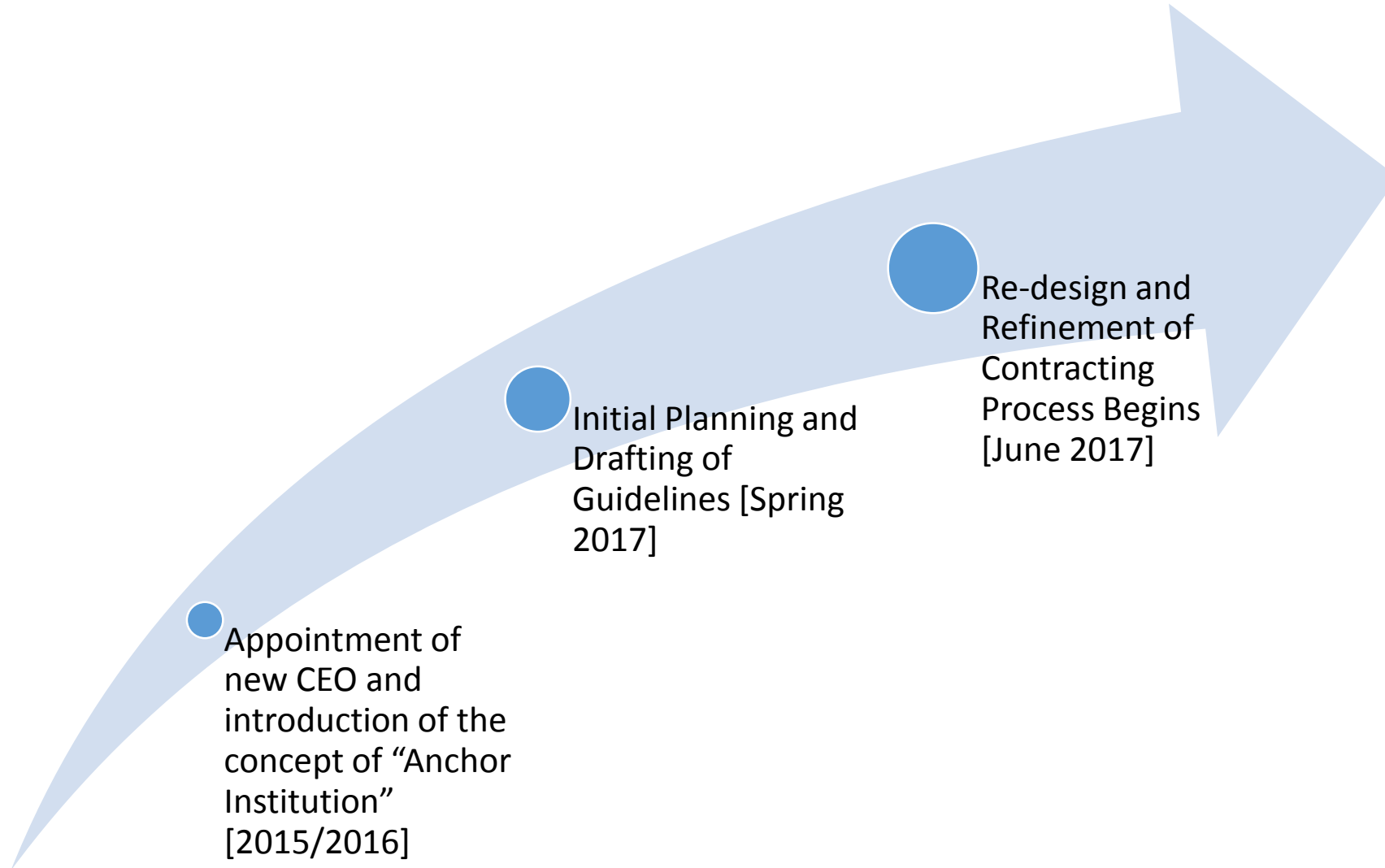
- **Participants—**

- Associate General Counsel (Contracting)
- Director, Public Affairs and Community Engagement
- VP Contracting
  - Manager, Non-Physician Contracting (NPC)
  - Database Administrator
  - Summer Intern

# Outside Partners

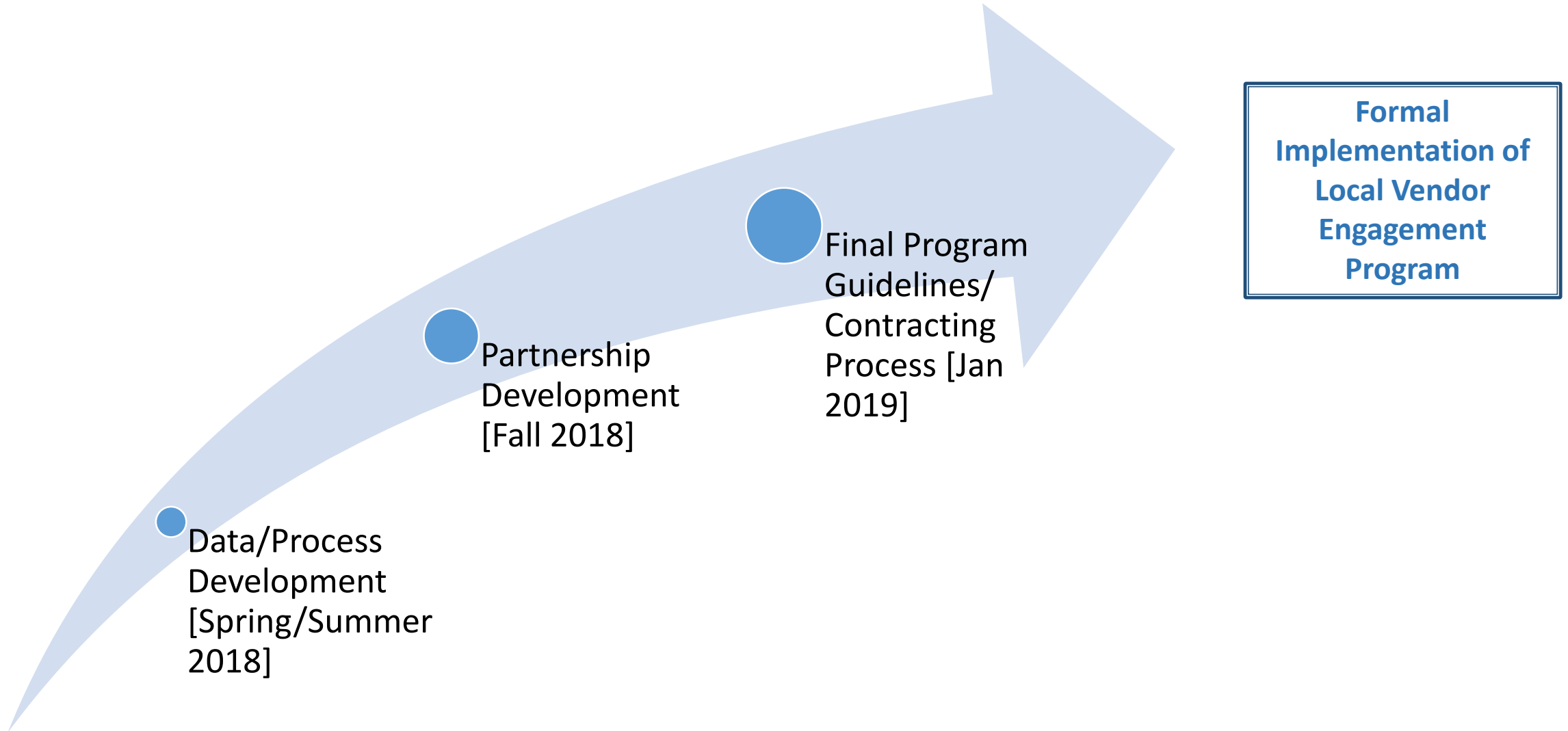
- Jo Carol Hiatt MD, MBA Chair, NPC & Assistant Medical Director SCPMG Kaiser Permanente
- John Vu, Vice President of Strategy Community Health Kaiser Permanente
- Ije-Enu N. Nwosu, Director of National Supplier Diversity Kaiser Permanente
- Elizabeth Eldridge, Manager Data Systems Kaiser Permanente
- Kristina Bourke, Senior Vice-President, Vizient (Kaiser Permanente Account)
- Sandra Hayter, Vice-President Member Business Ventures, Vizient (Kaiser Permanente Account)

# LVEP Journey



**Initial/Informal  
Application of Focus  
on Support to Local  
Vendors**

# LVEP Journey



# Local Vendor Tracking - Historically

- Historically, vendor location not tracked diligently
- Initial contract database (TractManager—TM) report identifying all local active contract vendors –
  - 14% w/ Alameda County based vendors
  - **40% of active contracts lacked reportable vendor location data**
- TM “clean up” project to identify vendor location on all active contracts and enable reliable reporting

# Local Vendor Tracking - Current State

- Utilizes cleaned database – TM
- Identifies vendor location and names for active contracts
- Google Report AppTracks:
  - Vendor location
  - Highlights local vendor share
- Determine Economic Impact (IMPLAN)

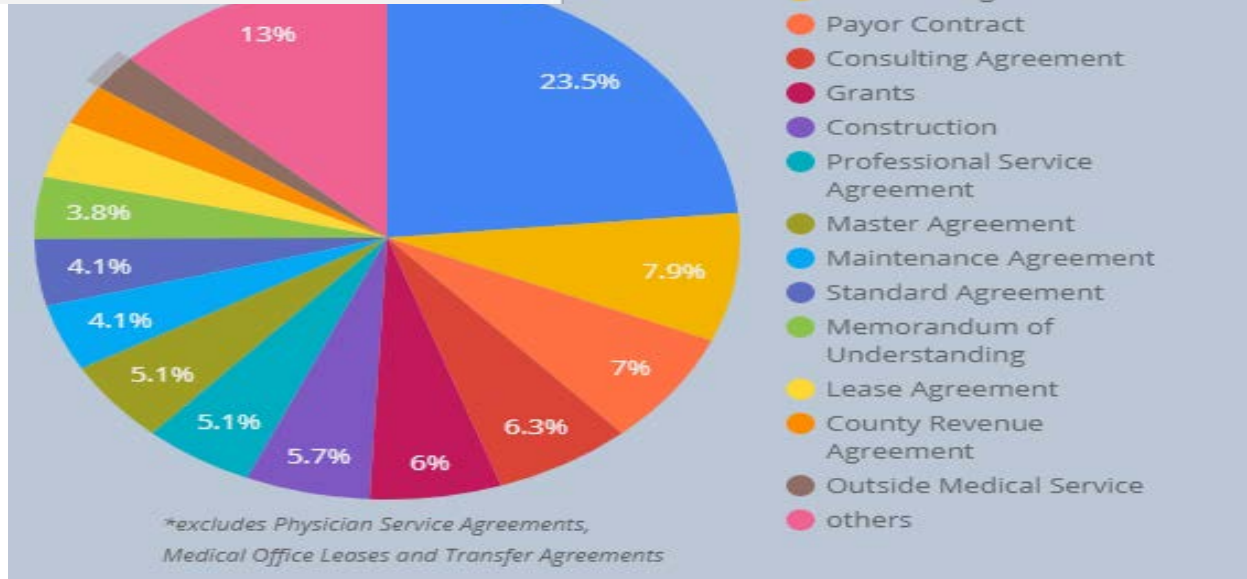


# Local Vendor Tracking

- Revised TM report prepared after “clean up” —
  - **31% w/ Alameda County based vendors**
  - 43% w/ Alameda, San Francisco and Contra Costa County based vendors

Number of Contracts by County	
Alameda	438
San Francisco	99
Contra Costa	81
Los Angeles	47

## Contracts in Alameda County



Contracts by City in Alameda County		
1.	Oakland	164
2.	San Leandro	77
3.	Berkeley	41
4.	Alameda	37
5.	Fremont	27
6.	Castro Valley	22
7.	Hayward	22
8.	Emeryville	14
9.	Livermore	12

# Economic Impact Analysis

- Example—
  - AHS Ambulance Services Agreement—
    - Local Vendor
    - Annual Spend = \$1,654,476
- Impact Analysis:

<i>Impact Type</i>	<i>Employment (FTEs)</i>	<i>Labor Income (\$)</i>	<i>Output/Payment (\$)</i>
Direct Effect	15.55	\$952,263	\$1,654,476
Indirect Effect	2.69	\$185,995	\$516,211
Induced Effect	5.07	\$505,946	\$786,789

# Local Vendor Engagement Program

## Mission and Goals

- **Mission:** Leverage AHS economic (buying) power to make a sustainable impact on the local communities we serve.
- **Goals – General Principles:**
  - Increased spending with local vendors
  - Increased access to pool of qualified local vendors
  - Increased participation by local vendors in GPO-sponsored business development programs
- **Accomplishments**
  - Developed and implemented LVEP written guidelines for competitive bidding processes
  - Developed LVEP written guidelines for non-competitive bidding process
  - Participation in Vizient (GPO) Diversity Supplier Program
  - Revised contracting database to facilitate implementation of LVEP

# Local Vendor Engagement Program

## Mission and Goals

- **Proposed Goals**

- FY 2018-2019
  - Roll-out LVEP Process (finalize LVEP Process and train business owners)
  - Establish online registry for local vendors
  - Identify “spend” available to local vendors
- FY 2019:
  - [Enroll \_\_\_ vendors in AHS LVEP database] [Increase vendors in LVEP database by \_\_\_%]
- Secure \_\_\_% of eligible goods and services from Alameda County vendors by 12/31/2022.
  - By 12/31/2020: \_\_\_\_\_%
  - By 12/31/2021: \_\_\_\_\_%
  - By 12/31/2022: \_\_\_\_\_%
- Secure \_\_\_% of goods and services from Bay Area vendors by 12/31/2022.
  - By 12/31/2020: \_\_\_\_\_%
  - By 12/31/2021: \_\_\_\_\_%
  - By 12/31/2022: \_\_\_\_\_%
- Introduce/enroll local vendors in GPO Diversity Supplier Program:
  - CY 2019: \_\_\_
  - CY 2020: \_\_\_
  - CY 2021: \_\_\_

# Local Vendor Engagement Program

## Mission and Goals

- **Immediate & Near-Term Goals**

- **FY 19**

- Finalize and roll-out LVEP process
- Compile and regularly update local vendor registry
- Develop GPO-based local vendor process—
  - Route local vendors for GPO and business incubator development opportunities
  - Use GPO analytics to develop baseline local vendor performance values
- Develop contract-based local vendor process—
  - Use Lawson analytics to determine baseline local vendor spend values

- **FY 20**

- Use baseline GPO- and contract-based data to set targets for the following goals:
  - Local vendor penetration (number of local vendors, % local vendors of all vendors)
  - Local vendor spend (\$ value, % local vendor spend of all vendor spend)
  - Local vendor development (# and % of all identified local vendors introduced to / enrolled with GPO/business incubator development programs)

# Local Vendor Engagement Program

## Mission and Goals

- **Future Goals**

- Analyze “local vendor” spend; set goals to increase participation of small/diverse local vendors as appropriate
- Identify external “impact” of LVEP
  - Measuring impact on development of local businesses (how has our program helped to “grow” a business)
  - Measuring impact on local workforce (how has our program increased opportunity [jobs/quality of jobs])

# LVEP Process

- **Non-Competitive—**

- AHS identifies/considers  $\geq 3$  vendors for every contract opportunity, at least 1 of whom MUST be a local vendor
- **Contract MUST be awarded to local vendor unless-**
  - Non-local vendor is  $\geq 10\%$  cheaper than local vendor
  - Contractual services/goods obtained under GPO
  - Local vendor unable to meet contractual timeline
  - Selecting the local vendor would create a conflict of interest
  - No local vendor is available
  - CEO approves request to contract with non-local vendor

# LVEP Process

- **Competitive—**

- All vendor bid solicitations (i.e. RFPs, etc.) will be distributed to qualified local vendors
- AHS Contracting Department will contact and encourage local vendors to respond and will conduct targeted outreach to local vendors if none respond

- **Vendor Selection Criteria—**

- Lowest Bid (Lowest Cost)
  - Lowest bid wins
  - *If 2 or more vendors submit substantially equal bids and 1 vendor is local, the local vendor will win*
- Weighted Factors (Technical Skills, Experience, Scheduling, etc.)
  - Highest score wins
  - Point Award for submission from local vendor
  - *If 2 or more vendors receive substantially equal scores and 1 vendor is local, the local vendor will win*



# LVEP Process

- **GPO—**

- AHS participates in the Vizient Diversity Pilot Program
- **AHS MUST select the local GPO vendor unless-**
  - Non-local GPO vendor is  $\geq 10\%$  cheaper than local GPO vendor
  - Local GPO vendor unable to meet contractual timeline
  - Selecting the local GPO vendor would create a conflict of interest
  - No local GPO vendor is available
- AHS will encourage local vendors to affiliate with GPO
  - National agreement
  - Local custom arrangement

# LVEP Process

- **Resources—**

- AHS Contracting Department will build and maintain a local vendor database to support the local vendor engagement program
  - Vendor roster drawn from Alameda County Small and Emerging Locally Owned Business Program and AHS Contract Database (TM)
  - AHS will use the local vendor database to identify local vendors when engaging contracted services
- AHS will contract with A Squared Ventures, Inc. (“A2V”) to assist with development and monitoring of the local vendor engagement program
  - AHS will utilize A2V as a complement to the local vendor database to optimize local vendor options
  - A2V will assist with local vendor engagement process implementation and monitoring

# LVEP Process

- **Resources, cont'd**

- AHS will contract with IMPLAN for provision of contract impact analysis services
  - AHS Contracting Department will utilize IMPLAN app to calculate local economic impact analysis and include in each Board level contract presentation
  - Vizient Supplier Diversity Program (next slide)

- **Monitoring/Reporting**

- AHS Contracting Department will track and prepare regular reports of local vendor utilization
- The Board will be advised of the progress of the LVEP (year-end report at Annual Meeting)

# Vizient Supplier Diversity Program

**Mission:** to support members in their goal to champion inclusion in their supply chains and accelerate economic growth in their local communities through the engagement and empowerment of high quality and cost competitive certified diverse suppliers: minority-, women-, and veteran owned businesses.

- Women and Minority owned suppliers are certified through NMSDC or WBENC; Veteran owned suppliers register through US Dept of Veterans

## Key Components:

### Fostering connections

Matching regional member needs and goals for economic impact in local communities by targeting diverse suppliers eligible for Vizient contracts as a pathway to enhance community relationships and increase visibility

### Mentoring and enrichment

Enhances supplier preparedness to understand quality and service standards that meet member needs by connecting suppliers with organizations that provide coaching

### Maximizing opportunities with Vizient

Identifies potential suppliers to fulfill contract needs and bridge gaps in contract portfolios via Diversity Opportunity Reports and Supplier Diversity Catalogs

### Next Steps for AHS:

- Confirm diverse supplier goals and opportunities in purchasing categories for diverse suppliers
- Use Vizient catalog and Supplier Connection portal to identify diverse suppliers
- Engage diverse suppliers with purchasing and business unit staff
- Track, monitor, and report purchasing activities and spend
- Engage Vizient Supplier Diversity team for best practices, connection to other members with diverse supplier inclusion and utilization initiatives
- Participate on Vizient councils
- Coordinate supplier sourcing with regional entities, such as Kaiser Permanente

Questions/Comments/Feedback

# Appendix

# Research & Best Practice

- Locally-based initiatives researched and modelled—
  - Alameda County Small & Emerging Locally Owned Business Program
    - ***Local Businesses—fixed offices and address in Alameda County***
      - Start Ups—in business for < 5 yrs
      - Small— half the size of average “small businesses”
      - Large— > 10,000 participating businesses
      - Preference— granted in bidding process
  - A Squared Ventures, Inc.
    - Supplier diversity and contracting advisors
    - Match underrepresented individuals/vendors to services/goods out for contract
    - Alameda County-based with strong connections to local stakeholders, including businesses and local gov’t

# Research & Best Practice

- Contract local economic impact analysis—
  - IMPLAN—software application to determine value of local economic impact
    - **Direct Impact**— \$s spent with contract vendor and resultant local FTEs created and employee wages/benefits
    - **Indirect Impact**— \$s spent b/t contracted vendor and other businesses as a result of proposed contract and resultant increase of other business' local FTEs and payrolls
    - **Induced Impact**— \$s spent locally by contracted vendor's employees (household spending)
    - Proven—developed and used by US gov't to determine local impact of proposed projects
    - Affordable—annual subscription \$6,500/yr



# Research & Best Practice

- Vizient GPO (Group Purchasing Organization)–
  - Leverage members' combined purchasing activity to negotiate lower rates
  - \$35 mil annual AHS spend
  - AHS spending flows-
    - GPO
    - Contracting
  - Diversity Pilot Program
    - Partnership with Kaiser Permanente
    - Enables AHS identification and selection of diverse GPO vendors
    - Minority, gender and veteran status are currently tracked
    - **AHS working with Vizient to add vendor location status as new diversity variable**
    - Facilitates regular reporting (over time and against peer organizations)
      - 2017 AHS diverse vendor spend 280% higher than peer health systems