



Supplier Diversity Program (SDP) Policy for Purchase of Service (POS) Procurements and Contracts Policy Addendum

Background

Purchase of health and human services contracts (referred to as Purchase of Service or POS) cover a variety of client health care, medical, and non-health care services primarily provided by non-profit vendors in the Commonwealth. Due to the unique nature of POS services, providers often hold long-term contracts with several EOHHS agencies, and most POS contracts are subject to regulated rates. Most of the rate charged by providers is used for staffing and benefits, which affects the share of the POS providers' revenues available for discretionary purchasing.

[Executive Order No. 599, Reaffirming Programs to Ensure Diversity, Equity, and Inclusion for Diverse and Small Massachusetts Businesses in State Procurement and Contracting](#), directs the SDO and executive departments "to ensure consistent and measurable progress in expanding access and equity of opportunity in state contracting." The unique factors involved in POS contracting require additional guidelines for these contracts.

Applicability

This policy applies **specifically** to the implementation of the SDP on procurements and contracts issued by all Executive Departments for the acquisition of client health and human services, also referred to as the Purchase of Service (POS), as defined by the applicable POS object codes in the Office of the Comptroller's [Expenditure Classification Handbook](#).

The SDP applies to large procurements (annual value greater than \$250,000), while the Small Business Purchasing Program (SBPP) applies to small procurements (annual value equal to or less than \$250,000). Departments should refer to [The Commonwealth of Massachusetts Diverse and Small Business Program Policies](#) regarding topics that are not specifically covered by this document, including benchmarks, fostering diverse and small business participation in contracting, and enforcing compliance.

This policy applies to procurements published on or after July 1, 2021.

POS Procurement and Contract Guidelines

Use of SDP Plan Forms: Departments conducting large POS procurements must include the [SDP Plan Form for POS](#) in their bids and may not alter the form without prior written approval from the SDO. To request approval, contact the SDO via email at sdp@mass.gov.

POS bidders will submit SDP Plans most recently filed through the Uniform Financial Reporting (UFR) system. POS bidders' SDP Plans include SDP spending information for the prior fiscal year and reflect a fixed dollar amount commitment for their organization (as opposed to a percentage of contract sales) for

the current fiscal year. If applicable, providers are required to separate subcontracting spending from ancillary product and service spending.

Evaluation: SDP plan evaluations must account for a minimum of 25% of the total evaluation score with 15% dedicated to the bidder's SDP commitment.

Departments may incorporate additional equity and inclusion criteria relevant to health and human services, including, but not limited to, racial disparities and health equity, as well as cultural and linguistic accessibility and proficiency, into the SDP evaluation; however, the total score allocation for this criterion may not exceed 10% of the total evaluation score.

To be acceptable for evaluation and contract award, SDP Plans must, at a minimum, include:

- **For new providers:** at least one proposed SDP Partner and a current-year financial commitment.
- **For existing providers:** at least one SDP Partner, prior-year spending information, and a current-year financial commitment.¹

Standard Contract Form

The Standard Contract Form requires the prime contractor's SDP Commitment for all goods and services contracts with an expected annual spend of more than \$250,000. If entering an annual commitment for the POS contract is feasible, enter the dollar amount commitment for the provider. If entering an annual commitment for a POS contract is not feasible, note in the text box **“reported annually in the UFR.”** For additional information on completing other sections of the Standard Contract Form, refer to [The Standard Contract Form Instructions and Contractor Certifications document](#) on the Office of the Comptroller's webpage.

SDP Reporting

POS providers are required to submit a copy of the SDP Plan Form for POS with their yearly Uniform Financial Statements and Independent Auditor's Report (UFR) filing as a condition of being qualified to continue to do business with the Commonwealth.

Monitoring Compliance

Compliance Monitoring by Departments: Departments will monitor provider SDP compliance and initiate corrective action if a provider does not meet the spending and/or reporting requirement. Whenever possible, departments will incorporate compliance considerations into the annual provider qualification process. For corrective action guidelines refer to [The Commonwealth of Massachusetts Diverse and Small Business Program Policies for Goods and Services](#).

Additional Joint Initiatives: The SDO, EOHHS, and departments will develop and create measures to increase the number of SDO-certified POS providers, provide SDP guidance and assistance to providers, analyze SDP spending to identify best practices, establish SDP scorecards, and recognize outstanding supplier diversity efforts by providers.

¹ The SDP Plan Form for POS is filed annually as part of a provider's Uniform Financial Statements and Independent Auditor's Report (UFR) for the completed fiscal year. The form contains (1) a report of the provider's SDP spending for the UFR completed/reporting year (“prior year spending”) and (2) the amount(s) committed by the provider to spending with diverse business-to-business partners for the year in progress (“current-year spending”).