



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

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 Constituent Agencies, and most POS contracts are subject to regulated rates. On average, 65-70% of the rate computation accounts 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 necessitate a separate policy 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) and the Small Business Purchasing Program (SBPP) applies to small procurements (annual value equal to or less than \$250,000). A separate policy document titled *The Commonwealth of Massachusetts Diverse and Small Business Program Policies* contains **general provisions for both programs** as they apply to the acquisition of commodities and services by all Executive Departments pursuant to MGL Chapter 7, Section 22; MGL Chapter 30, Sections 51 and 52; and 801 CMR 21.00. Departments should refer to that document regarding issues that are not specifically covered by this policy, including determination of program applicability based on procurement size.

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

General Policy Provisions

This SDP policy for POS procurements and contracts remains consistent with [The Commonwealth of Massachusetts Diverse and Small Business Program Policies](#) in that:

- Under the SDP, the provider will be required to make a significant financial commitment to its business relationship(s) with one or more SDP Partner(s) as defined by the SDO.
- This policy does not mandate in what capacity the provider must engage the SDP Partner and does not require the provider to subcontract any portion of their services.

Specific Provisions for POS Procurements and Contracts

In addition to *The Commonwealth of Massachusetts Diverse and Small Business Program Policies*, the following specific provisions will apply to the SDP for POS procurements and contracts.

Doing Direct Business with Diverse and Small Providers

Whenever a contract allows direct provider selection, departments shall utilize diverse and small providers to the extent possible based on contract terms, departmental policies, laws, and regulations. Additionally, departments shall make a preference for providers with higher SDP commitments and performance.

SDP Requirements for Competitive Solicitations

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.

In their Quotes, 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. Providers will be required to separate subcontracting spending (if any) from ancillary product and service spending.

Thorough Evaluation. The evaluation of SDP plans must reward vendors with higher evaluation scores for those bidders with higher SDP commitments and higher likelihood of compliance. SDP plan evaluations must account for a minimum of 25% of the total evaluation score with at least 15% (of the total 25%) 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 such additional criteria 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.¹

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

However, if response evaluation involves scoring, Departments are required to create meaningful evaluation criteria beyond these minimum requirements.

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

Use of the UFR: 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 and Enforcing SDP 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.

Development of Shared Compliance Monitoring: The SDO, EOHHS, and departments will endeavor to create and use a shared SDP compliance resource that will provide information on provider SDP compliance for bid evaluation, benchmarking, and performance monitoring.

Additional Joint Initiatives: The SDO, EOHHS, and departments will develop measures to increase the number of SDO-certified POS providers, provide SDP guidance and assistance to providers, analyze SDP spending across the provider community to identify robust plans and best practices, establish provider 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”).