



The Commonwealth of Massachusetts  
Executive Office for Administration and Finance  
**Supplier Diversity Office**

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

**Policy Overview**

**Background**

Purchase of health and human services (referred to as Purchase of Service or POS) contracts 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. 565, Reaffirming and Expanding the Massachusetts Supplier Diversity Program (SDP), renewed the Commonwealth's commitment to the Supplier Diversity Program with the goal "to promote equity of opportunity in state government." 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. There shall be a transition period of 30 days from the effective date of this policy (or through July 31, 2021) to allow departments to incorporate new contract language, forms, and processes into upcoming procurements. During the transition period, departments may use previously issued contract language, forms, and processes for procurements nearing publication.

## 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 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](mailto: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.

**Meaningful Evaluation.** Submitted SDP Plans must be evaluated in a meaningful way, which considers the value of the SDP commitment made by the contractor. SDP plan evaluation must account for a minimum of 25% of the total evaluation score. The majority of these points must be allocated to the evaluation of the financial 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.<sup>1</sup>
- **For existing providers:** at least one SDP Partner, prior-year spending information, and a current-year financial commitment.<sup>1</sup>

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<sup>1</sup> 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").

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

## **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.