

BUILDING HEALTH, WEALTH, AND EQUITY IN BROOKLYN

Analysis of Hospital Procurement Data to Inform
Efforts to Diversify and Localize Spending

2022

Executive Summary

Large, place-rooted “anchor institutions” like hospitals and colleges spend hundreds of billions of dollars annually purchasing goods and services that keep them running, however very little of that money stays within the communities in which these institutions are located. Procuring from local vendors has been proven to generate twice as much recirculation of revenue within the local economy and up to twice as many jobs per dollar versus non-local procurement¹. For hospitals in Brooklyn alone, this opportunity can equal up to \$2 billion or more annually.

Ensuring equitable access to this

procurement opportunity is a high-impact lever that can help grow health and wealth². This is especially important in Brooklyn where over half of households of color experience liquid asset poverty³ which is linked to disproportionately poor health outcomes⁴.

[Brooklyn Communities Collaborative](#) (BCC) is a non-profit organization that joins the economic and political power of anchor institutions (e.g. hospitals and colleges) with labor institutions, community-based organizations, and city and state government to promote health, wealth, and leadership in Brooklyn.

To advance efforts to localize and diversify hospital spending, BCC worked with two safety-net hospitals, Maimonides Health and One Brooklyn Health (OBH), to assess various avenues to stimulate equitable procurement with a focus on opportunities for increased sourcing from local minority- and women-owned businesses and enterprises (MWBEs)^a.

This research included working in cooperation with Maimonides Medical Center and One Brooklyn Health's three partner hospitals to analyze internal procurement data, discussions with hospital procurement leadership to identify key considerations and near-term needs, and engagement with local businesses, business support organizations, and community leaders to generate three main findings:

1. Only one percent of annual non-clinical spending goes to MWBEs, and even less goes to local MWBEs. Stakeholders were committed to shifting more procurement to MWBEs, however dedicated efforts will be needed to overcome the barriers to make this a reality.
2. Building maintenance, selected professional services, construction, IT, and food services are potential priority sectors.
3. Achieving 10 percent of non-clinical procurement from local MWBEs by 2030 is possible, and would generate \$35-40M more to MWBEs per year from these hospitals alone.

^a BCC takes a broader lens to its equitable procurement work by moving spending not only to certified MWBEs, but also to other people of color- and women-owned local businesses and mission-aligned businesses (e.g., worker-owned enterprises). Likewise, BCC acknowledges the risks in engaging MWBEs given a history of certification fraud, and manages those risks in its activities (e.g., by conducting due diligence with community partners before recommending vendors). As MWBEs are currently the best-tracked form of mission-aligned business and likely make up the bulk of mission-aligned procurement by anchor partners, this report focuses on MWBE procurement data.

Analysis and Findings

Maimonides Health is Brooklyn’s largest healthcare system, employing 7,000 individuals and serving over 250,000 patients each year through the system’s 3 hospitals, 1,800 physicians and more than 80 community-based practices and outpatient centers. One Brooklyn Health (OBH) has 7,300 employees and is composed of three hospitals and their affiliated facilities: Interfaith Medical Center, Brookdale Hospital Medical

Center, and Kingsbrook Jewish Medical Center.

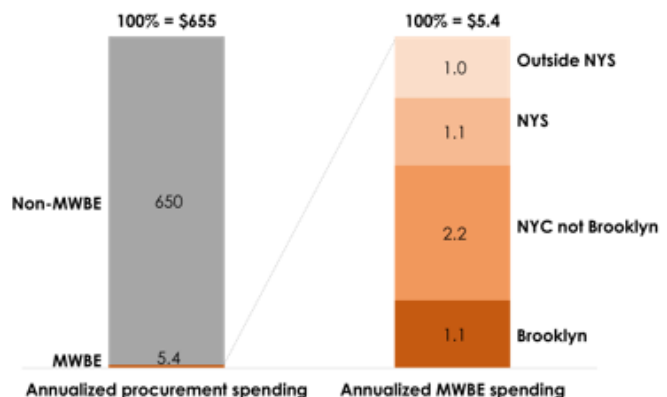
We analyzed relevant procurement data from Maimonides and OBH from 2021 and 2022, representing \$655 million in spending. We identified opportunities in both Tier 1 contracts, which refer to the vendors that provide direct goods and services to a hospital, and Tier 2 contracts, which refer to vendors supplying the Tier 1 contractor.

Only one percent of hospital anchor partners’ annual non-clinical spending goes to MWBEs, and even less specifically to local MWBEs

There is substantial opportunity to increase hospitals’ procurement from local MWBEs.

The data suggests that less than one percent of annual procurement goes to certified MWBEs, and only a fraction of that goes to local MWBEs (Figure 1)^b. This figure trails the 2.25 percent average of surveyed hospitals in the Healthcare Anchor Network that submitted data in FY2020, which engages more than 70 health systems around the US.

Figure 1
BCC partner hospitals MWBE spending
\$M in procurement (based on NYC/NYS MWBE lists), annual avg.



^b Data in this document come from two major safety-net hospital systems covering in Brooklyn, covering four large hospitals total. Data are for calendar year 2021. We manually aligned spending categories due to different naming conventions. Data may exclude some spending (e.g., certain subsets of department-specific, non-Group Purchasing Organization spending); we will update our analysis as we access new data.

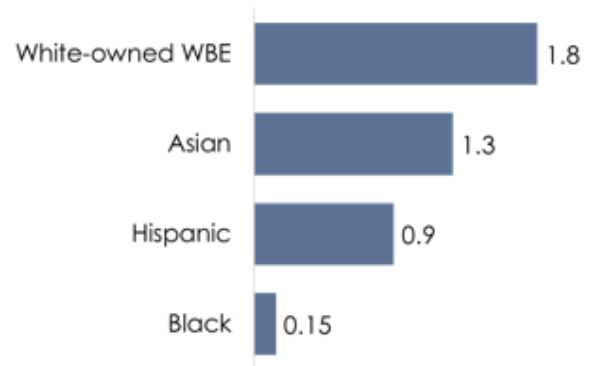
Black- and Hispanic-owned enterprises are especially unrepresented in hospital procurement (Figure 2), making up only 20 percent of hospitals' MWBE procurement and a mere 0.2 percent of overall procurement.

In looking at non-clinical procurement, which some hospital procurement leads suggested may be the more realistic focus in the near term, the percentage is slightly higher: 1.2 percent of business goes to MWBEs overall^c.

When it comes to local procurement, over 85 percent of medical supply purchases are from vendors out of state; overall, out-of-state vendors make up nearly 65 percent of spending in the data.

Recent research conducted by BCC's partners at the City University of New York and MIT's Community Innovators Lab suggests – and our ongoing engagement with anchors and business service organizations confirms – that there is appetite among anchor institutions to shift procurement. However, both the anchors and potential vendors face challenges. Procurement leads, for example, worry that MWBEs are often more expensive, and their bids cannot compete with larger firms⁵. MWBEs find hospitals complex to navigate and struggle to

Figure 2
Black & Hispanic firms have limited access
Procurement from MWBEs (\$M/year), by race of owner



Note: Race of owner is available only in the NYC MWBE list, not the NYS list. This leaves –\$1.2M/year in MWBE spending for which the race of the business owner is unknown.

manage anchors' long and often delayed payment timelines. We know that change is possible. Recent spending under the New York State-funded [Vital Brooklyn](#) community development effort shows great promise. Procurement in this effort, managed by OBH, reached 20 percent spending on MWBEs out of \$150 million. The vast majority of this spend was on construction-related activities, but even their procurement for other needs (e.g. security, IT equipment, and cleaning and moving services) also reached five percent of spending on MWBEs – many times the current share for ongoing procurement.

^c Note that this data may understate MWBE procurement for a few reasons. Many Brooklyn hospitals do not yet track MWBE procurement formally, so we cross-referenced hospitals' vendor lists with New York State's and New York City's certified MWBE lists. Similarly, there are many people of color- and women-owned firms that are not certified MWBEs.

Building maintenance, selected professional services, furniture, construction, IT, and food are potential priority sectors

Our analysis found that the greatest near-term opportunity for hospitals to increase MWBE procurement may lie in prioritizing categories with many midsize contracts – those in the range of ~\$50-200 thousand per year – and with evidence of at least some MWBE penetration to date.

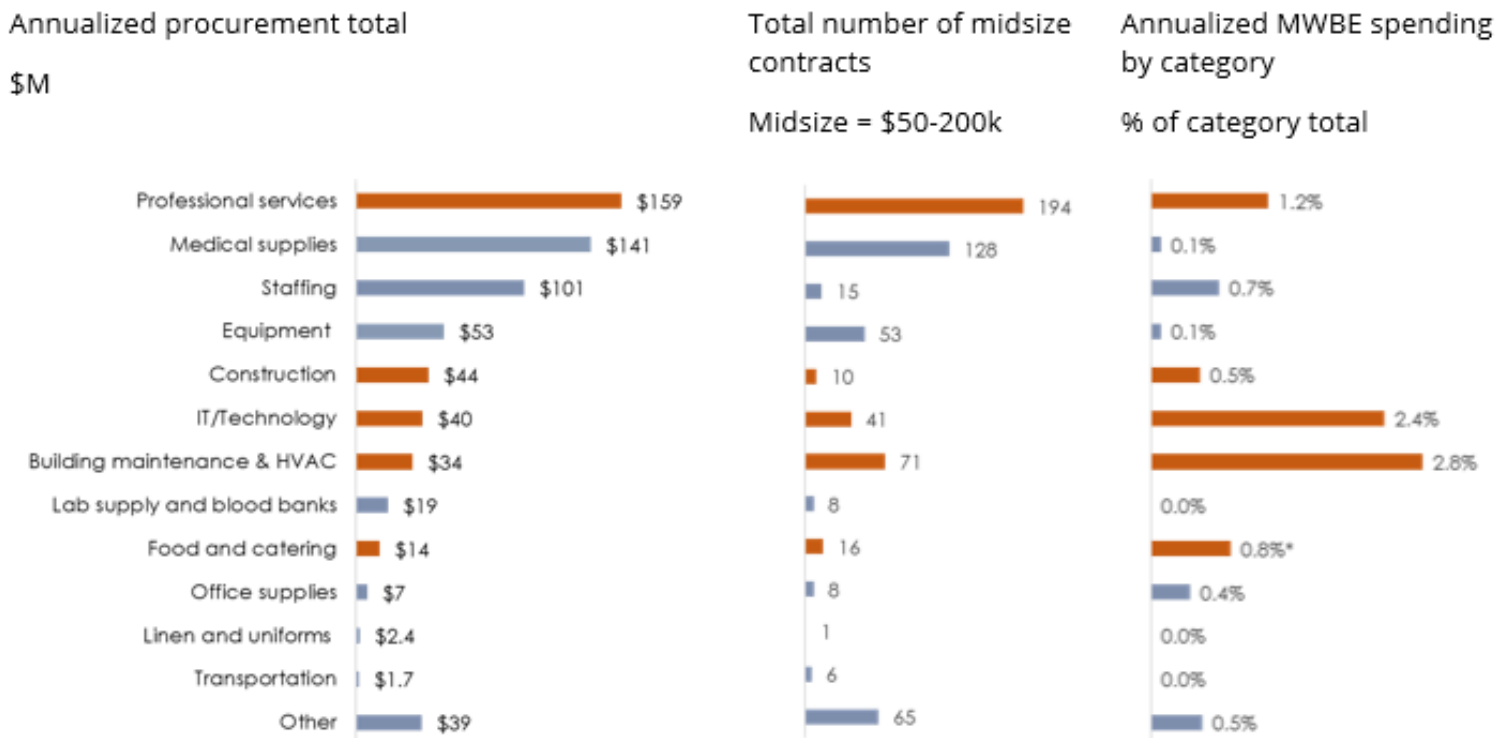
While data reveal that the three major areas of spending in raw absolute dollars

are in professional services, medical supplies, and staffing, it is very difficult to penetrate those markets. Most medical supplies are for capital-intensive products sourced from a few large vendors which benefit from economies of scale. Staffing contracts are highly concentrated in a few large contracts (see Figure 3).

Figure 3

The largest sectors are not necessarily the right initial focal sectors for BCC

Orange bars = possible near-term Tier 1 focal sectors



* Excludes a white-owned WBE whose leadership now appears to be male.

Smaller businesses, especially Black- and Hispanic-owned businesses, do not have the kind of external financing and track record needed to compete with large firms⁶.

As a result, while the equity imperatives to advance supplier diversity in medical supplies, staffing, and equipment are strong, it will take time to make meaningful change. Even as BCC pursues creative approaches to expanding procurement opportunities for MWBEs, we believe there are other criteria that could point us to more promising near-term successes.

In particular, as Figure 3 shows, selected professional services (e.g. advertising), building maintenance, and IT all have a substantial number of midsize contracts as well as some degree of existing MWBE penetration relative to other sectors. Construction and food are two other sectors that may provide opportunities for change, especially given the success of the Vital Brooklyn experience with construction.

Furniture is another sector that procurement leads identified as a priority. Data analysis is ongoing, but BCC's strategic partnership with the Mondragon Federation provides a unique opportunity to localize furniture spending.

In summary, sectors with significant spending overall, midsize contracts, and existing MWBE presence are good places to begin.

Conversations with local business support organizations and initial landscape research by BCC confirm these categories have a supply of local MWBEs. Food and building maintenance in particular may have lower barriers to entry and thus are especially attractive as early priority sectors. By focusing on these categories first, we can generate early impact, learn to navigate the complexities of MWBE-hospital procurement matchmaking, and build momentum for larger shifts in procurement.

The table below summarizes these findings and possible implications for our strategy by sector.

Figure 4

Possible sectoral priorities for BCC’s equitable procurement work

Category	Primary Tier 1 focuses	Additional Tier 1 focuses	Possible Tier 2 focuses
Possible sectors	<ul style="list-style-type: none"> • Professional services (e.g., advertising) • Building maintenance • IT services 	<ul style="list-style-type: none"> • Construction • Food and catering • To explore: Furniture 	<ul style="list-style-type: none"> • Medical supplies • Medical equipment
Explanation	Has evidence of MWBE penetration. May have large subfields with limited barriers to entry, and in which contracts can move to MWBEs with fewer logistical hurdles	Emerged as possible needs in other recent research and may be worth exploring further, though smaller in overall procurement and/or may have more barriers to entry	Major procurement categories that may be difficult to address directly; large vendors may have Tier 2 opportunities (e.g., via supplier diversity efforts)
Additional opportunities	Identify real-time procurement opportunities in other sectors with hospital leads, even as BCC builds more formal and coordinated efforts in these sectors		Help procurement leads expand supplier diversity in large contracts and Group Purchasing agreements

Finally, there is opportunity to engage strategically in categories like medical supplies and equipment by diversifying Tier II contracts and renegotiating contracts with Group Purchasing Organizations (GPO) (e.g., Premier) to ensure more focus on supplier diversity. A GPO is an entity that helps hospitals

realize savings and efficiencies by aggregating purchasing volume and using that leverage to negotiate with vendors⁷. GPOs present a high-leverage vehicle for advancing supplier diversity at several hospitals simultaneously.

Achieving 10 percent of non-clinical procurement from local MWBEs by 2030 is possible

The moment is ripe for Maimonides and OBH, in partnership with BCC, to achieve this ambitious goal. Procurement leaders are elevating supplier diversity as a priority and asking BCC for help finding

and developing vendors. Furthermore, the COVID-19 pandemic has accelerated demand for localized supply chains⁸.

Next Steps

Meeting the goal of 10% MWBE spending by 2030 has enormous implications: a ten-fold increase in non-clinical spending with Brooklyn-based MWBEs represents \$35-40 million per year in new revenue for these businesses just from current anchor partners. Achieving this goal will not only provide crucial opportunity for MWBEs and a more resilient local supply chain for anchors, but also will advance progress toward a wealthier, healthier, and more equitable Brooklyn.

BCC is well positioned to capitalize on the commitment for change and work with Maimonides and OBH to meet this MWBE target given its partnerships with the local small business ecosystem and key community groups in the borough. BCC will focus on three activities, in tandem with hospital procurement leads, local businesses, and business support organizations:

1. Match local MWBEs with local procurement opportunities.

As we advance intensive efforts in the sectors identified above, we are working to shift procurement as needs arise at our anchor partners. With the help of local business support organizations and through direct engagement with small businesses from curated lists (e.g., [Black-Owned Brooklyn](#) and [ByBlack](#)), BCC is developing a directory of local MWBEs and helping to facilitate new contracts. Building processes and relationships between hospital partners and local MWBE vendors will result in a more formal pipeline and increased number of contracts over time.

2. Help anchors strengthen their supplier diversity policies and practices.

BCC will use the momentum from small

procurement contracts while continuing to learn from successful models (e.g., Cleveland's Greater University Circle Initiative) to achieve spending goals and to advance supplier diversity in Tier 2 and GPO contracts.

BCC will support hospitals to negotiate with GPOs and Tier 1 contractors to source a share of procurement from MWBE Tier 2 vendors to indirectly bring more diverse vendors into the supply chain. This will help anchor partners advance progress for large sectors like medical supplies and equipment. BCC will also work with hospital partners to implement systems to track MWBE procurement to make it easier to measure progress over time.

3. Support local entrepreneurs in succeeding with anchor procurement.

BCC will help MWBEs succeed in anchor procurement, via connections to business service organizations and technical assistance providers. Through a grant from the Kauffman Foundation, BCC is developing a guide to anchor procurement for local entrepreneurs.

BCC will also work with existing small business support organizations to expand financing tools for MWBEs (e.g., bridge loans to weather long payment timelines), create MWBE cohorts for intensive technical assistance, and explore

opportunities to convert established businesses to employee ownership for increased business sustainability and impact on the wealth gap.

BCC is actively building relationships with additional local hospital anchors and business partners to expand the reach of our efforts, and to achieve our goal of a strengthened, local, and diverse supply chain to build health, wealth, and equity in Brooklyn.

Endnotes

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4 "Family Financial Assets Tied to Child Health, Independent of Income." Healio, 4 May 2016, <https://www.healio.com/news/primary-care/20160504/family-financial-assets-tied-to-child-health-independent-of-income>.

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6 Mac, Chi, et al. 2020, Small Business Owner Race, Liquidity and Survival, <https://www.jp-morganchase.com/institute/research/small-business/report-small-business-owner-race-liquidity-survival>. Accessed 2021.

7 "What Is a GPO ?" HSCA, [https://www.supplychainassociation.org/about-us/what-is-gpo/#:~:text=A%20group%20purchasing%20organization%20\(GPO,manufacturers%2C%20distributors%20and%20other%20vendors](https://www.supplychainassociation.org/about-us/what-is-gpo/#:~:text=A%20group%20purchasing%20organization%20(GPO,manufacturers%2C%20distributors%20and%20other%20vendors).

8 Krueger, Alyson. "How These N.Y.C. Companies Are Skirting The Supply Chain Crisis." The New York Times, The New York Times, 3 Dec. 2021, https://www.nytimes.com/2021/12/03/nyregion/supply-chain-crisis-nyc.html?campaign_id=44&emc=edit_ur_20211205&instance_id=47050&nl=new-york-today@i_id=92484335&segment_id=76166&te=1&user_id=df082e-87ba6c2bd10ab4946ad3319a67.

About Brooklyn Communities Collaborative

Brooklyn Communities Collaborative (BCC) is a not-for-profit based in New York that works with local institutions and stakeholders to address longstanding health inequities in the borough. BCC was founded in 2019 with the goal of leveraging the financial power of anchor institutions and community resources to address the economic factors that improve the social determinants of health – whether it's supporting housing stability, advancing economic empowerment, expanding care management services, or strengthening CBOs in the area. BCC builds upon years of collaborative efforts with anchor institutions and community partners in Brooklyn, which have helped connect 80,000 complex-need patients to care management services, produce 30,000 pounds of fresh produce annually, and develop 3,400 units of housing. Visit <https://brooklyncommunities.org/> for more information.