

Briefing Note

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Buying Locally: a review of the MUHC's purchasing policies with a view to stimulating local development

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Abstract

A review of hospital procurement policies suggests a number of opportunities for improved local economic integration, further to achieving the goals laid out in a renewed partnership agreement completed with the MUHC in the spring of 2012. Importantly, these goals can be achieved without (or with very slight) modifications to existing policies. First, mechanisms and procedures already exist that allow businesses to interface with hospital decision-makers. Second, MUHC policy already provides for preferential treatment of non-profit business that employ «les personnes handicapées», a category that might be expanded to include the entire social economy, following the example of the City of Montreal. Also, MUHC policy also provides helpful guidance to decision-makers when allocating contracts: can a new “local economic impact” clause be added to the list that specifically targets local neighbourhoods? Finally, while any purchasing policy must ultimately be firmly based in competition and market considerations, it may be possible, following the MUHC precedent for ISO certified or sustainable development considerations, to introduce a modest “preferential margin”, when considering bids from local or social economy businesses.

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Introduction:

Since 2004, and more recently with the signing of a new agreement, the Interneighbourhood Coalition and the MUHC have been in discussions on how to optimize the benefits to the surrounding neighbourhoods from the arrival of the hospital, in the surrounding neighbourhoods. The economic development working group has identified a number of key areas where some benefits can be achieved, one of which is encouraging local purchasing by Glen Campus decision-makers.

The MUHC already has in place purchasing policies and procedures that guide managers in their practices, and there are no doubt many long-standing relationships between MUHC decision-makers and their suppliers. However, with the signing of the new agreement, and at the moment of the moving of hospital functions and staff to the new site, there may be new opportunities for optimizing the chances that local suppliers can gain goodwill and contracts with the hospital.

This briefing note reviews key purchasing policies and identifies small changes that could be made to facilitate, at least from a policy standpoint, local supplier opportunities at the Glen Campus hospital.

Review of MUHC purchasing policy

In 2009, there were two key purchasing policies that governed MUHC practice, MMA 250 and the *Politique sur les contrats d'approvisionnement, de services et de travaux de construction*. These two policies will be reviewed with a view to exploring how they can play a role in stimulating and enabling local entrepreneurship in the neighbourhoods of Saint Henri, NDG-CDN and Westmount.

Policy ONE: centralized purchasing, bi-annual "trade shows"

MMA 250, a two page document and intended for MUHC staff (not management), details how suppliers are allowed to interface with MUHC decision-makers. This purpose of this policy is to assure that all suppliers work under the supervision of the "*Service des achats*", in effect, channeling all business relations through a single "one-stop-shop".

Vendors can only meet with MUHC staff or doctors through the *Service des achats*. If a product needs to be evaluated, it must be presented and approved by an internal MUHC committee.

Conversely, any MUHC manager who wants to establish a business relationship with a supplier or to explore the market, must alert the *Service des achats*.

No penalties or procedures are foreseen for MUHC staff or suppliers who do not abide by this policy. However, it does state that staff should be aware of the “personal responsibilities” arising from signing any unapproved contract; unapproved contracts are null and void. If the hospital is held accountable by a third party who acted in good faith, the staff person will be held personally responsible, the policy states.

Importantly, the policy states that there will be two opportunities (presumably annually) at which suppliers can share information and present products. These opportunities are organised by the *Service des achats*.

Policy TWO: contract policy, with exceptions for non-profits, sustainability clauses

The *Politique sur les contrats d’approvisionnement, de services et de travaux de construction*, adopted in April 2009, replaces six existing policies and applies to all levels of the hospital: staff, managers, and medical personnel.

The MUHC policy fits into a broader legal and policy framework (*Loi sur les contrats des organismes publics, Règlement sur les contrats d’approvisionnement des organismes publics*, to cite just two).

The purpose of the policy is to establish rules on the awarding of contracts by the MUHC to private contractors, when these contracts require spending of public funds. The policy applies to a wide range of possible contracts: service agreements, professional and technical services, to construction work, and ranging in size from very small (less than 10,000) to those over 100,000\$.

The policy specifies that only the finance department and designated employees can solicit, negotiate, and adjudicate contracts. Most of the nine pages of the policy detail procedures for handling contracts.

A table details a range of different modes by which the MUHC undertakes contracts. Generally speaking, small contracts of all kinds (0-9999\$ and 10-24,999\$) are done via a simple agreement, “*gré à gré*”, with no obligation to solicit competitive bids, although it is also common even for small contracts to solicit some quotes by “verbal invitation”. Larger contracts (greater than 100,000\$) are secured only after a public tendering process. Contracts with private individuals who are not running a small business are also undertaken *gré à gré*, the policy states.

Importantly, the MUHC policy includes a special category: « *contrat conclu avec un OBNL dont la majorité des employés sont des personnes handicapées.* » Such contracts are *gré à gré*, the policy states.

When facing a choice on what mode to use, MUHC decision-makers are provided with a handful of special considerations, including: *plus value anticipée d’utilisation de la procédure* (a “value added” clause); *impact sur l’économie régionale* (a “local economic impact” clause) and *possibilité de rotation parmi les concurrents* (a “fair share” clause).

The policy also stipulates that if the MUHC specifies some special qualification on the part of a supplier (such as ISO certification or a specification related to sustainable development or the environment), then that specification must be included in the call for proposals; the MUHC will apply a preferential margin, in those cases.

Finally, the policy also stipulates a number of special circumstances “exceptions” under which contracts over 25,000\$ may be offered *gré à gré*.

Discussion

A brief review of existing policies suggests a number of opportunities, especially in light of the renewed partnership agreement completed with the MUHC in the spring of 2012 (see www.ciq-glen.ca for details).

First, mechanisms and procedures already exist that allow businesses to interface with hospital decision-makers. The centralizing of all MUHC contracts via the *Service des achats* makes it **much easier for local providers to get face time and develop relationships** with hospital staff. These opportunities should be exploited by CIQ partners who work most directly with local entrepreneurs, specifically the CDEC, the CLD and the RESO, but also by citizens who wish to see a greater local economic impact in their neighbourhoods, from the arrival of the MUHC at the Glen Yards.

Second, language in the MUHC policy provides **an opportunity for expanding access to the hospital market, particularly for the social economy**. The policy already allows for contracts to be given to non-profit corporations that employ “*des personnes handicapées*”: can this category be expanded to include the social economy? Or non-profit businesses more generally (a subset of the social economy)? The City of Montreal has already adopted a special provision for social economy businesses in their procurement policy, as well as a policy on the social economy (see Further readings at the end of this note).

Finally, would it be possible to expand the “special considerations” tailoring them slightly to favour the local economy? For example, **adding a new “local economic impact” clause** or refining the existing one so that it targets more specifically the local neighbourhoods.

While any purchasing policy must ultimately be firmly based in competition and market considerations, it may be possible, following the laudable precedent for ISO certified or sustainable development considerations, to introduce a modest “preferential margin”, when considering bids from local or social economy businesses.

Key Sources:

Politique sur les contrats d'approvisionnement, de services et de travaux de construction.
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Further reading:

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