

Senate Hearing – State Government Committee SB 1140

Testimony provided by: Jonathan Encarnacion, Senior Director, UPMC for You, Inc.

June 14, 2022

10:00am

Good morning and thank you Chairman Argall and members of the Senate State Government committee for allowing me to speak today on behalf of UPMC Health Plan in support of Senate Bill 1140, which is sponsored by Senator Camera Bartolotta.

My name is Jonathan Encarnacion, Senior Director at UPMC for You a division of UPMC Health Plan.

UPMC for You's corporate parent, UPMC, has a long-standing history of partnering with diverse businesses, dating back to 1989 when the Supplier Diversity Program was created. We believed then what we know now which is that education, work programs, and economic development improve communities and enhance lives.

As a responsible corporate citizen, UPMC for You along with other integrated partner companies, are dedicated to building, sustaining, and improving upon the initiatives that empower the communities we serve. We are committed to supplier diversity and made it an integral part of our overall supply chain management strategy.

In 2006, our Supplier Diversity Program was reengineered to fulfill our commitment to creating a nationally renowned center of excellence through ensuring that Small Diverse Businesses (SDBs) are afforded every opportunity as primary or secondary suppliers to UPMC and its organizations.

Overall, our goal is to provide certified SDBs and small businesses with the maximum amount opportunities to participate as partners and suppliers of goods and services to UPMC and its subsidiaries.

One of my many responsibilities at UPMC Health Plan is to manage its SBD Supply Chain procurement which includes oversight for over 50 contracts totaling more than \$47 million in annual spend. It is in this capacity that I am here today in strong support of Senate bill 1140.

For many, the current state definition of an SDB presents a financial burden and challenge as it stifles growth, productivity, and profitability. That is---under the existing rules, an SDB may not employ more than 100 full-time equivalent employees and may not exceed a three-year average gross revenue of **\$38.5 Million**, regardless of business type.

Case in point is one of UPMC's key suppliers. It is a minority-owned company located in the heart of Dauphin county providing telephonic outreach services for UPMC members. Their work is manpower intensive and thus, their staffing typically fluctuates between 95 to 100 employees. Given the nature of their business as a call center, the cap of 100 employees is not appropriate to this industry and therefore hinders growth, profitability, and economic development. Companies like these are hiring individuals from the inner city, employing young people from underserved communities and stimulating growth in poor neighborhoods. However, many times they find themselves having to lay off employees or refuse additional contracts in order to stay below the 100 FTE cap and thus remain certified as an SDB.

Furthermore, companies like UPMC are no longer able to count required SDB participation and spend commitments because some of its vendors no longer qualify as SDBs. For example, UPMC currently contracts with a woman-owned marketing company. Five years ago, the company grew beyond 100 employees, and as a result, she lost her SDB certification. Consequently, UPMC is not allowed to count existing spend towards its DGS required goals and thus, not able to expand its business relationship with this vendor. Therefore, it is our position that SB 1140 contains language which proposes to correct this problem by removing the 100-employee cap from the definition of "Small Diverse Business" and allowing size and revenue limits to be set on an industry-by-industry basis which is more consistent with Federal program eligibility requirements.

I thank you for your time and urge you to consider expanding the definition of a "Small Business" so that Small Diverse Businesses can thrive, expand, and continue to stimulate economic growth within the communities they serve.

I am happy to answer any questions you may have.