

CITY OF OAKLAND
AGENDA REPORT

2007 JUN 26 2:49

TO: Office of the City Administrator
ATTN: Deborah A. Edgerly
FROM: Finance & Management Agency
DATE: June 26, 2007

RE: **Resolution Authorizing An Agreement Between The City And Concentra Health Services To Provide For A Term Of Two Years Occupational Medical Services For An Amount Not To Exceed \$500,000.00 Plus A 3% Contract Compliance Fee Equal To \$15,000.00 And To Provide Workers' Compensation Medical Services In Accordance With The Negotiated Discounts Below The State's Official Medical Fee Schedule And With Three (3) Options To Extend The Term Of The Contract Upon Acceptable Performance For Three (3) Additional Two-Year Periods In A Contract Amount Not To Exceed \$500,000.00 For Fiscal Years 2009-2011, And The Same Amount For Fiscal Years 2011-2013 And Fiscal Years 2013-2015**

SUMMARY

The City of Oakland is required to provide a specific level of occupational medical services for employees. Federal, State and Local regulations mandate the services provided through the contract proposed herein. The occupational medical service provider under contract for these services is commonly referred to as the "City Physician". The current City Physician contract expires on June 30, 2007. The incumbent under the expiring contract is Concentra Health Services (CHS). CHS has been under contract for occupational medical service since July 1, 2001.

Staff recently completed a Request for Proposal (RFP) process soliciting qualified vendors for the provision of Occupational Medical Services. As a result of that RFP process, Staff recommends that Council authorize the City Administrator to negotiate and enter into a two-year contract for Occupational Medical Services with Concentra Health Services (CHS). CHS was the only respondent to the RFP, has demonstrated their ability to provide qualified occupational medical services as specified by the City and provided pricing comparable to that of the expiring contract. As such, an increase in the allocated budget amount is not required for the provision of these services.

Staff further recommends that the City Council authorize the City Administrator to exercise up to three (3) options to extend this contract for three (3) additional two-year terms should the recommended contractor continue to demonstrate acceptable performance in the delivery of the contracted services.

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FISCAL IMPACTS

The proposed two-year contract with Concentra Health Services (CHS) would provide Occupational Medical Services for an annual amount not to exceed \$250,000 plus \$7,500 which is the 3% contract compliance fee. Should the City choose to exercise its option(s) to extend these contracted services additional years, CHS has committed to maintain the proposed pricing throughout the duration of the agreement. Note that this amount does not include Workers' Compensation medical services which are billed to the City as medical costs against individual workers' compensation claims and at rates governed by the State of California.

Extension of this contract for three additional two-year terms, upon satisfactory performance, would be in amounts not to exceed \$500,000 plus a 3% contract compliance fee equal to \$15,000 for Fiscal Years 2009-2011, and the same amount for Fiscal Years 2011-13 and Fiscal Years 2013-15.

Funding for these contract services is contained in the FY 2007-09 Proposed Policy Budget in the General Purpose Fund (1010), City-Wide Activities Org (90591), Undetermined Project (0000000), Citywide Activities Program (IP50).

KEY ISSUES AND IMPACTS

Federal, State and local regulations mandate the City to provide specific Occupational Medical Services unrelated to its' Workers' Compensation Program. These services include, but are not limited to:

- Pre-placement physical and psychological examinations;
- Employee (Course of Employment) & Medical Surveillance Services;
- Americans with Disability Act/Fair Employment and Housing Act (ADA/FEHA) governed medical evaluations and determinations;
- Federally mandated Alcohol and Controlled Substance Testing Programs;
- Vaccines and Immunizations;
- Fitness for Duty and Threat Assessment Evaluations;
- Public Safety Employment Qualifications tests (including psychological screening);
- Diagnostic testing/screening (i.e. Tuberculosis tests, vision and hearing tests);
- Cal/OSHA Medical Surveillance and Services (i.e. respiratory fitness review, Hepatitis B Vaccinations, asbestos workers physicals, exposure related evaluations, etc);
- Onsite employee health/wellness services;
- Medical File Repository for non-workers compensation records; and
- Medical Consultation Services (i.e. Police/Fire Retirement Board, Disability Review Committee).

To meet these mandates in a cost-effective manner, it is in the City's best interest to contract for these services through a competitive bid process. This process would ensure that the most current medical practices are made available to the City and that the City has a strong medical advocate to represent it in the highly specialized areas of occupational medicine and workers' compensation.

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This process allows for the selection of an Occupational Medical Service Provider that demonstrates a high level of knowledge, experience and ability regarding the ever-changing Disability mandates all employers must meet. This type of Disability Management Program is essential to successfully defend the City in labor relations and litigation arenas. Mandated disability benefits and considerations continue to evolve on the regulatory and legal front, and the City's medical advocate must have the resources and ability to change protocols and methods of service delivery.

PROGRAM DESCRIPTION

The City's current Occupational Medical Services Contract with Concentra Health Services (CHS) expires on June 30, 2007. In anticipation of the contract expiration, staff issued a Request for Proposal and invited local Occupational Medical Service Providers to participation in the RFP process.

The Request for Proposal indicated that the City was seeking the services of a qualified Medical Service Provider for the provision of Occupational Medical Services in accordance with regulatory mandate. It further stated that the City would utilize the successful bidder for the provision of Workers' Compensation Medical Services in accordance with State Labor Code guidelines. The areas of service to be provided under this contract include:

1. **ADMINISTRATIVE RESPONSIBILITIES** – including medical advisory and expert witness services in the areas of occupational medicine, disability retirement, Americans with Disability (ADA) and Fair Employment and Housing Act (FEHA) cases, Fitness for Duty cases, etc.
2. **PRE-PLACEMENT PHYSICAL AND PSYCHOLOGICAL EXAMINATIONS SERVICES** – including pre-employment drug testing, functional capacity evaluations and human performance assessments for sworn and non-sworn personnel. Many aspects of these exams are governed by federal regulations and guidelines.
3. **OCCUPATIONAL MEDICAL SERVICES** – including post-injury/illness return to work examinations, retirement board advisory services, health/wellness advisory services, fitness for duty and threat assessment evaluations, as-needed drug screening, psychological and specialty medical referral assistance, Health Insurance Portability and Accountability Act (HIPAA) compliance administration services, health/wellness services, etc.
4. **ALCOHOL/CONTROLLED SUBSTANCE TESTING AND MEDICAL REVIEW OFFICER (MRO) SERVICES** - including all services associated with regulated and non-regulated alcohol and controlled substances collections and testing services. This involves collection of specimens, producing random testing schedule, performing onsite collections and after-hours collections, coordination of laboratory analysis, interpretations of laboratory results, consultation with

impacted employee, maintenance of mandated records and production of mandated reports.

5. WORKERS' COMPENSATION MEDICAL SERVICES – including provision of medical services in accordance with the labor code authorized employer control period and acting as our medical advisor/advocate at times where discrepancies may exist regarding a work-related fitness matter.

On April 13, 2007, the Finance and Management Agency – Risk Management Division issued a Request for Proposal for the provision of Occupational Medical Services. Invitations to participate in the process were sent to two local occupational medical service providers who had previously expressed interest in participating in the RFP process. These firms were Concentra Health Services and Kaiser Foundation Health.

The City also advertised in local papers and made the RFP document available on the City's website. Hard-copies of the RFP were made available to all parties requesting such. A mandatory Bidders' Conference was held on April 26, 2007. Three medical service providers attended the Bidders' Conference. These firms were Concentra Health Services, US Health Works and Medical Management Associates. In order to accommodate specified timelines in the City's Professional Services Program, the published submission deadline was set for May 26, 2007.

At the specified closing time on May 26th, only one proposal was received from the interested firms. This proposal was from Concentra Health Services (CHS), the current incumbent. To date, no other proposals have been received.

Staff's review of the proposal received from CHS found it to be fully responsive to the RFP requirements and demonstrative of CHS' continued qualification to provide the specified medical services.

SUSTAINABLE OPPORTUNITIES

There are no economic, environmental or social equity opportunities associated with this report.

DISABILITY AND SENIOR CITIZEN ACCESS

There are no disability or senior citizen access issues associated with this report.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council approve the Resolution authorizing an agreement between the City and Concentra Health Services to provide for a period of two years Occupational Medical Services for an amount not to exceed \$500,000 plus a 3% Contract Compliance Fee equal to \$15,000 and to provide Workers' Compensation Medical Services in accordance with the negotiated discounts below the State's Official Medical Fee Schedule and with acceptable performance to extend this contract for three additional two-year terms in

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amounts not to exceed \$500,000 for Fiscal Years 2009-2011, and the same amount for Fiscal Years 2011-2013 and Fiscal Years 2013-2015.

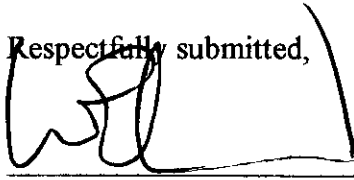
CHS has demonstrated their ability to perform the necessary services in an acceptable manner given their past 6 years of performance. CHS proposes to continue providing clinical and on-site services consistent with the expiring contract. Their proposed fee structure reflects an increase of only approximately ten-percent over their 2001 pricing. Additionally, CHS has committed to fix the proposed pricing for the duration of the negotiated agreement. Considering medical services typically rise from 12 to 15% per year, and the previous service fees were set nearly 6 years ago, this amounts to a very modest contractual increase.

CHS has demonstrated the competency in complying with the requirements of the State Labor Code in the provision of Workers' Compensation Services and have functioned as an integral team member in the City's Workers' Compensation Program. Staff is confident that CHS will continue to provide quality and economical services in the Workers' Compensation area as well as continuing as a cohesive team member for our Disability Management Program.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council approve the Resolution authorizing an agreement between the City and Concentra Health Services to provide for a period of two years Occupational Medical Services for an amount not to exceed \$500,000 plus a 3% Contract Compliance Fee equal to \$15,000 and to provide Workers' Compensation Medical Services in accordance with the negotiated discounts below the State's Official Medical Fee Schedule and with acceptable performance to extend this contract for three additional two-year terms in amounts not to exceed \$500,000 for Fiscal Years 2009-2011, and the same amount for Fiscal Years 2011-2013 and Fiscal Years 2013-2015.

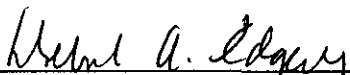
Respectfully submitted,



William E. Noland
Director, Finance and Management Agency

Prepared by
Deborah Grant, Risk Manager
Risk Management Division

APPROVED AND FORWARDED TO THE
FINANCE & MANAGEMENT COMMITTEE:

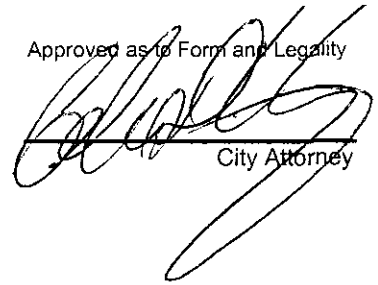


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OAKLAND CITY COUNCIL

Approved as to Form and Legality



City Attorney

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RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION AUTHORIZING AN AGREEMENT BETWEEN THE CITY AND CONCENTRA HEALTH SERVICES TO PROVIDE FOR A TERM OF TWO YEARS OCCUPATIONAL MEDICAL SERVICES FOR AN AMOUNT NOT TO EXCEED \$500,000.00 PLUS A 3% CONTRACT COMPLIANCE FEE EQUAL TO \$15,000.00 AND TO PROVIDE WORKERS' COMPENSATION MEDICAL SERVICES IN ACCORDANCE WITH THE NEGOTIATED DISCOUNTS BELOW THE STATE'S OFFICIAL MEDICAL FEE SCHEDULE AND WITH THREE (3) OPTIONS TO EXTEND THE TERM OF THE CONTRACT UPON ACCEPTABLE PERFORMANCE FOR THREE (3) ADDITIONAL TWO-YEAR PERIODS IN A CONTRACT AMOUNT NOT TO EXCEED \$500,000.00 FOR FISCAL YEARS 2009-2011, AND THE SAME AMOUNT FOR FISCAL YEARS 2011-2013 AND FISCAL YEARS 2013 -2015

WHEREAS, the City is required by applicable law and regulations to provide occupational medical services and workers' compensation medical services to City employees; and

WHEREAS, the City has determined that it is advisable to obtain this service at the most cost effective rate; and

WHEREAS, the City prepared and distributed a request for proposal to obtain the best overall qualified firm to provide Occupational Medical Services for the City; and

WHEREAS, the City conducted a competitive selection process pursuant to section 2.04.051A of the Oakland Municipal Code (Purchasing Ordinance) and only one (1) firm responded to the request for proposal and subsequently met minimum qualifications and participated throughout the review process; and

WHEREAS, the respondent was the current incumbent of the expiring occupational medical services contract; and

WHEREAS, the City determined that the incumbent, Concentra Health Services, has demonstrated their ability to provide efficient, effective and qualified Occupational Medical Services; and

WHEREAS, the City Council finds that this contract is for services of a professional nature; and

WHEREAS, the City Council finds that services under this contract will be temporary; and

WHEREAS, the City Council finds that this contract shall not result in the loss of employment or salary by any person having permanent status in the competitive service; now, therefore be it

RESOLVED: That the City shall enter into a professional services agreement with Concentra Health Services to provide Occupational Medical Services for a period of two-years commencing on July 1, 2007; and be it

FURTHER RESOLVED: That funding for these contract services is contained in the FY 2007-09 Proposed Policy Budget in the General Purpose Fund (1010), City-Wide Activities Org (90591), Undetermined Project (0000000), Citywide Activities Program (IP50); and be it

FURTHER RESOLVED: That the City Administrator is hereby authorized to exercise up to three (3) options to extend the term of the contract with Concentra Health Services upon acceptable performance for three (3) additional two-year terms in a contract amount not to exceed \$500,000 for fiscal years 2009-2011, the same amount for fiscal years 2011-2013 and fiscal years 2013-2015; and be it

FURTHER RESOLVED: That the \$250,000 per contract year shall be allocated as follows: a maximum of \$242,500 for each year of the two-year contract term shall be paid to Concentra Health Services for the provision of Occupational Medical Services and \$7,500, which is three percent (3%) of the annual, maximum contract fee, shall be allocated to the City's Contract Compliance Division for contract compliance fees; and be it

FURTHER RESOLVED: That the agreement with Concentra Health Services will include the provision of Workers' Compensation Medical Services in accordance with negotiated discounts below the State's Official Medical Fee Schedule; and be it

FURTHER RESOLVED: That the City Administrator is authorized to complete all contract negotiations and execute all necessary amendments, modifications and extensions; and be it

FURTHER RESOLVED: That the contract shall be approved as to form and legality by the City Attorney and a copy of contract will be filed in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California