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OFFICE OF THE CITY CLERK
OAKLAND

2015 MAY 14 PM 5:01

AGENDA REPORT

TO: John A. Flores
INTERIM CITY ADMINISTRATOR

FROM: Anil Comelo

SUBJECT: Occupational Medical Services Contract
Supplemental Report

DATE: May 14, 2015

City Administrator
Approval

Date

5/14/15

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council approve:

Resolution Authorizing The City Administrator To Negotiate and award A Two-Year Agreement to Emeryville Occupational Medical Center (EOMC) For Occupational Medical Services In an Amount Not To Exceed \$1,200,000, allocated as \$600,000 For Contract Year 2015-16 and \$600,000 for Contract Year 2016-17, and, With Acceptable Performance, To Extend The Agreement For Three Additional Two-Year Terms In The Not To Exceed Amount Of \$600,000 Per Contract Year For Years 2017-19, 2019-21 And 2021-23, For A Total Not To Exceed contract Amount Of \$4,800,000.

OR

Resolution Authorizing The City Administrator To Negotiate and award A Two-Year Agreement to Emeryville Occupational Medical Center (EOMC) For Occupational Medical Services In an Amount Not To Exceed \$1,200,000, allocated as \$600,000 For Contract Year 2015-16 and \$600,000 for Contract Year 2016-17, and, With Acceptable Performance and Council Approval, To Extend The Agreement For Three Additional Two-Year Terms In The Not To Exceed Amount Of \$600,000 Per Contract Year For Years 2017-19, 2019-21 And 2021-23, For A Total Not To Exceed contract Amount Of \$4,800,000.

REASON FOR SUPPLEMENTAL

At the May 12, 2015 Finance and Management Committee meeting, the Committee requested additional information be provided by staff for consideration of the resolution to award an occupation medical services contract. The questions and responses are listed below:

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1. Cost Comparison with two prior years of medical services:

The table below shows the amount paid for Occupational Medical Services during Fiscal Years 2013-14 (when Concentra provided all medical services) and the projected amount for Fiscal Year 2014-15 (when the City had to use multiple vendors to provide comparable services). The final row shows the requested annual amount under the proposed medical contract.

FY 2013-14	Concentra (Full Service Occupational Medical Services)	585,673
FY 2014-15	Kaiser, Claremont EAP, US Healthworks, Allere Laboratories	410,000
FY 2015-16	Emeryville Occupational Medical Center	600,000

2. Is it feasible to divert medical costs to employee health plans?

Staff has reviewed feasibility of diverting some mandated medical services to the employee's medical plan. Based upon the limited analysis performed since the May 12th Finance Committee meeting, staff has determined that there is limited ability to transfer medical costs related to employee testing, medical surveillance, and preventive care to employee health plans. Further the potential savings is small relative to the negative impacts of undertaking such actions. The following is a summary of the various issues involved:

For regulated medical services, employers are typically required to pay for the costs. The following are some examples of regulatory language contained in various statutes:

"The employer shall provide all safeguards required by this section, including provision of personal protective equipment, respirators, training, and medical services, at no cost to the employee, at a reasonable time and place for the employee, and during the employee's working hours." (Cal OSHA Ref. Title 8, §5199. Aerosol Transmissible Diseases.), or

"The employer shall ensure that all medical evaluations and procedures, including the hepatitis B vaccine and vaccination series and post-exposure evaluation and follow-up, including prophylaxis, are:

- 1. Made available at no cost to the employee;*
- 2. Made available to the employee at a reasonable time and place;*

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- 3. Performed by or under the supervision of a licensed physician or by or under the supervision of another licensed healthcare professional; and
- 4. Provided according to recommendations of the U.S. Public Health Service current at the time these evaluations and procedures take place, except as specified by this subsection (f).

(C) The employer shall ensure that all laboratory tests are conducted by an accredited laboratory at no cost to the employee." (Cal OSHA Ref. Title 8, §5193. Bloodborne Pathogens.)

The **Department of Transportation (DOT)** medical exam requirements, governed by **49 CFR Parts 300-399** does not have language that requires the employer to provide the physical examination at no cost to the employee. However, City practice has been to cover DOT exam expenses to ensure control of the exam process as well as safeguards and consistency in data collection, retention, and reporting. Further, to require employees to utilize their own physician and health coverage may need to be negotiated with the City's bargaining groups since it has been the City's practice to pay for these costs. It is estimated that DOT physical exams cost the City approximately \$7,500 per year and thus is a relatively small amount of potential savings.

Other Non-mandatory costs are related to medical screening offered to employees during annual Health Fairs. The City historically has offered flu shots and preventive health screenings, such as cholesterol checks, blood chemistry panels, etc., as part of our employee wellness efforts. The annual health fairs are typically attended by up to 20-25% of the total employee population. The tests performed could be obtained through employee health plans, if they are benefit eligible. We believe that many employees are more likely to obtain this type of wellness check through the City's health fair, due to its convenience and the spirit of comradery since it is offered at no cost to the employee. The potential savings to the City by eliminating the City paid health checks through the health fairs would reduce medical expenses by about \$40,000. It would be seen as a "take away" by employees and would damage the "good will" it garners for the City.

The table below reflects the total cost breakdown by expenditure type for the proposed services agreement.

EOMC (Annual Total)	Pre- placement Sworn	Pre- placement Non- Sworn	Post- Employment Cal OSHA (Mandatory)	Post- Employment DOT (Mandatory)	Post- Employment (Non Mandatory)
\$600,000	\$367,500	\$ 60,000	\$125,000	\$7,500	\$40,000

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The City is required to pay for certain medical costs such as pre-placement examinations, and mandatory testing, which constitute the bulk of the City's medical expenses. The City can potentially require employees to pay for certain types of testing and the annual health fair related expenses. The total savings for such a decision would be approximately \$47,500 or about 8% of the annual contract for medical services of \$600,000. Based upon the relatively small amount of savings and potential negative morale impacts, staff recommends that the City continue to pay for these costs.

3. How do other jurisdictions handle financial responsibility for medical surveillance?

Staff sent inquiries to all the member agencies of CSAC-EIA, asking how they allocate expenses related to employee medical services. As of the writing of this report (two days after the Finance Committee meeting on May 12th), we have not received any responses. However, based on our knowledge of a few other public entities, public agencies typically cover the cost of medical exams that are required by law for employment purposes as well as expenses related to Wellness, medical surveillance, and preventive care.

4. What performance measures will be put in place to monitor quality of services provided?

Staff proposes to negotiate and implement a number of performance measures that the vendor will be measured on a regular basis to ensure satisfactory service upon which the optional agreement extensions will be based. Performance measures would be meaningful metrics that establish meeting of industry best practices and meet the needs/expectations of the services end-users (i.e. departments, employees and candidates). The metrics would measure performance in the areas of

1. Access to Care
2. Preventive Health Outreach and Education
3. Preplacement Physical and Psychological Exams and Services
4. Controlled Substance and Alcohol Testing and Medical Review Officer Services
5. Fitness for Duty and Medical Advisory Services
6. Recognition and Diagnosis of Work Related Injury & Illness
7. Customer Service and Patient Satisfaction
8. Outcomes

Each of the areas identified above are integral to positive program administration. Staff will provide outcomes of these results as part of its annual report for the Workers'

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Compensation Program as well as when renewal of this contract is contemplated in about 20 months.

5. Modify Resolution to exercise optional terms to extend with Council approval.

Attached is revised resolution reflecting that Council approval is required in order to extend agreement on the optional terms.

Respectfully submitted,



Anil Comelo
Director, Human Resource Management

Reviewed by:
Deborah Grant, Risk Manager
HRM/Risk & Benefits Division

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ALTERNATE

Approved as to Form and Legality

OAKLAND CITY COUNCIL

~~DRAFT~~
City Attorney

RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE AND AWARD A TWO-YEAR AGREEMENT TO EMERYVILLE OCCUPATIONAL MEDICAL CENTER (EOMC) FOR OCCUPATIONAL MEDICAL SERVICES IN AN AMOUNT NOT TO EXCEED \$1,200,000, ALLOCATED AS \$600,000 FOR CONTRACT YEAR 2015-16 AND \$600,000 FOR CONTRACT YEAR 2016-17, AND, WITH ACCEPTABLE PERFORMANCE AND COUNCIL APPROVAL, TO EXTEND THE AGREEMENT FOR THREE ADDITIONAL TWO-YEAR TERMS IN THE NOT TO EXCEED AMOUNT OF \$600,000 PER CONTRACT YEAR FOR YEARS 2017-19, 2019-21 AND 2021-23, FOR A TOTAL NOT TO EXCEED CONTRACT AMOUNT OF \$4,800,000

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 services 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 2 firms responded to the request for proposal and subsequently met minimum qualifications and participated throughout the review process; and

WHEREAS, the City determined that the incumbent, Emeryville Occupational Medical Center, 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 and temporary nature and 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 Administrator is authorized to negotiate and award a with a contract to Emeryville Occupational Medical Center for Occupational Medical Services for a period of two-years commencing on July 1, 2015, in an amount not to exceed \$1,200,000, allocated as \$600,000 for the first contract year 2015-2016, and \$600,000 for the second contract year 2016-2017; and be it

FURTHER RESOLVED: That funding for these contract services is contained partially in the FY 2015-17 Proposed Policy Budget in the Workers' Compensation Fund (1150), Human Resources Management (05621), Workers' Compensation Project (WCME) and partially in the funding provided for ongoing Police Academies in the amount of \$1350 per screened recruit; 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 Emeryville Occupational Medical Center, upon acceptable performance and approval of the City Council, for three (3) additional two-year terms in a contract amount not to exceed \$600,000 per year for fiscal years 2015-2017, the same amount for fiscal years 2017-2019, fiscal years 2019-21 and fiscal years 2021-2023, up to a total contact amount covering all contract years of \$4,800,000; 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_____

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID and
PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

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