

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Human Resources	(2) MEETING DATE 10/30/2012	(3) CONTACT/PHONE Tami Douglas-Schatz (805) 781-5959	
(4) SUBJECT Request to approve a contract with Med+Stop Urgent Care Center in an annual amount of \$150,000 for pre-employment medical exam services through February 1, 2015.			
(5) RECOMMENDED ACTION It is recommended that the Board approve a contract with Med+Stop Urgent Care Center in an annual amount of \$150,000 for pre-employment medical exam services through February 1, 2015 and instruct the Chairperson to sign.			
(6) FUNDING SOURCE(S) Workers' Comp Fund	(7) CURRENT YEAR FINANCIAL IMPACT \$182,500	(8) ANNUAL FINANCIAL IMPACT \$150,000	(9) BUDGETED? \$66,170 is budgeted. Balance to come from Workers' Comp Fund
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) 19001214		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: n/a <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u>December 20, 2005</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Emily Jackson			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Tami Douglas-Schatz / Human Resources / (805) 781-5959

DATE: 10/30/2012

SUBJECT: Request to approve a contract with Med+Stop Urgent Care Center in an annual amount of \$150,000 for pre-employment medical exam services through February 1, 2015.

RECOMMENDATION

It is recommended that the Board approve a contract with Med+Stop Urgent Care Center in an annual amount of \$150,000 for pre-employment medical exam services through February 1, 2015 and instruct the Chairperson to sign.

DISCUSSION

In 2005, the County's Risk Management Division developed a pre-employment physical exam process that requires candidates to undergo job-specific, post-offer, pre-employment medical testing. This process was developed with the intent of improving employee safety, ensuring compliance with the Americans with Disabilities Act (ADA) laws, and reducing Workers' Compensation costs.

On December 20, 2005, the County entered into a five year contract with Med+Stop Urgent Care Center (Med+Stop) for pre-employment medical examinations, ending on February 1, 2011. The administration of the program is handled by staff in Human Resources. This program has been one of several important elements in the overall loss reduction efforts in Human Resources, and has contributed to the significant reductions in liability and cost seen in the Workers' Comp program.

Prior to expiration of the first contract with our medical exam provider (Med+Stop), and in compliance with County Purchasing Policy, Risk Management sent out a Request for Proposals (RFP) in December 2010 for pre-employment medical exam services. Two competing proposals were received, including one from the existing vendor, Med+Stop. Risk Management evaluated the proposals, and judged the superior proposal to be the one submitted by Med+Stop. Med+Stop was selected due to its experience with pre-employment medical testing, ability to receive employees at either of two local offices (San Luis Obispo and Paso Robles) seven days a week, and its competitive fee schedule.

In the first three years of the program, the County conducted pre-employment medical exams at a higher rate than it has in recent years. The number of pre-employment medical exams is proportional to the rate of hiring in the County. Concurrent with the economic downturn, hiring rates decreased, and thus expenditures for pre-employment medical exams dropped considerably in FY 2008-09, and remained flat through the end of the first contract with Med+Stop in 2011. Costs for pre-employment medical exams had been less than \$50,000 annually between July 2008 and February 2011. Therefore, in accordance with the County Purchasing Policy, Risk Management established the new agreement with Med+Stop on a Purchase Order (PO) in the amount of \$49,500, rather than bringing a contract to the Board.

In early 2011, and through the end of FY 2011-12, the rate and nature of hiring changed. The County saw a 47% increase in hiring since FY 2009-10 as retirements and normal turnover created need for replacement new hires. The nature of hiring also shifted to include more new hires in physically demanding or high risk positions in the last 18 months. Law enforcement, public works and similar higher risk or physically demanding jobs require medical exams in the top cost-tier of exams. While a typical pre-employment medical exam consists of several tests costing approximately \$300,

those for physically demanding jobs cost \$720 each. Additionally, in FY 2011-12 there was a higher than typical rate of candidates taking a pre-employment physical exam, but not otherwise completing or passing the hiring process. This increased the ratio of exams to hires. These increases raise the cost of the pre-placement program. The following table describes the changes:

Fiscal Year	# of new hires	# Top Cost-tier Exams	Ratio of exams to hires	Annual cost	Payment Mechanism
2009-10	189	0	1.11	\$48,420	PO \$48, 420 FY 2009/10
2010-11	241	11	1.04	\$57,700	PO \$57,700 FY 2010/11
2011-12	280	50	1.29	\$131,065	PO \$98,565 FY 2011/12 PO \$32,500 FY 2012/13
2012-13 to date	81 YTD	9	1.01	\$27,135	To be paid upon contract approval
Proposed 2012-13	Less than 300 (anticipated)	n/a	n/a	\$150,000 (estimated)	Per Proposed Contract

*The numbers of new hires and top cost-tier exams above reflects actual hires. The annual cost column includes all medical exam costs (including those for candidates who were not hired).

The increase in the number of new hires, the increased ratio of exams to hires, and the increased percentage of new hires requiring top-tier tests, caused Risk Management to exceed the FY 2011-12 PO amount (\$49,500) by mid-year 2011-12. The PO amount was increased to \$98,565 mid-year to accommodate the increased rate of medical exams and was increased per direction from the Auditor within the last month to \$131,065 in order to pay the vendor for the additional medical exams performed in 2011-12. To cover the additional expense, the Auditor's Office approved payment of \$32,500 worth of unpaid invoices from FY 2011-12 using FY 2012-13 funds. An oversight on the part of Risk Management permitted the expenditures for fiscal year 2011-12 to exceed the amount of the increased purchase order before bringing the current contract to the Board for approval. A spreadsheet used in the past to monitor activity in this program has been reactivated in order to prevent a recurrence of this event. In addition, Risk Management has assigned a staff member to monitor contract status and related issues.

Based upon historic program usage data from 2006 to the present, and the current rate and composition of recruitments, we anticipate that the current contract, expiring on February 1, 2015, will not exceed \$150,000 per Fiscal Year.

The approval of this contract will enable the Human Resources Department to continue the pre-placement physical exam process and ensure that the County can continue to recruit and select the most qualified candidates for employment. Therefore, staff recommends that the Board approve the contract presented.

OTHER AGENCY INVOLVEMENT/IMPACT

The County General Services Agency's (GSA) Purchasing Division oversaw the original RFP process for this contract. GSA has been consulted on the recommended action, and concurs that the recommended contract will bring this program in line with current purchasing policies. County Counsel has reviewed and approved the contract as to form and legal effect. Counsel has also considered the recommended action, and concurs that the approach respects current internal policies and external governances as pertains to public agency contracts.

FINANCIAL CONSIDERATIONS

Staff estimates that under the new contract with Med+Stop, the County's expense will continue to vary from year to year depending on hiring activity and staffing needs. Based on current trends it is anticipated that total future annual costs for this contract will be less than \$150,000. Current year costs will be the sum of anticipated annual total costs (\$150,000) in FY 2012-13 plus costs of work completed in FY 2011-12 but paid in FY 2012-13 (\$32,500) or \$182,500.

Pre-placement Program costs have been budgeted in the FY 2012-13 Fund Center (FC) 408 Internal Service Fund (ISF) budget to be \$66,170 for FY 2012-13. The difference between the FY 2012-13 estimates (\$66,170) and the current year costs (\$182,500) is \$116,330. Funding for this increase will come from the FC 408 ISF. The FC 408 ISF presently has a balance of \$17,873,000. The increased costs in the pre-placement program will not significantly impact the FC 408 ISF.

Pre-placement Program costs are offset through lower Workers' Compensation Program costs, so the net effect of the program is positive for the FC 408 ISF.

RESULTS

A robust pre-employment physical program results in fewer employee injuries and reduced injury severity. Approval of this contract will ensure continued control of these factors. The pre-placement medical examination program provides a means of assuring that employees are medically able to perform the duties of the job. The absence of such a program results in increased injury costs.

ATTACHMENTS

1. Contract with Med+Stop Urgent Care Center