



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Aram Kouyoumdjian

**SUBJECT:** See Below

**DATE:** April 21, 2025

Approved

Date:

4/30/25

**COUNCIL DISTRICT:** Citywide

**SUBJECT: Report on Request for Proposal and Actions Related to Employee Health Services Vendors**

## **RECOMMENDATION**

Adopt a resolution authorizing the City Manager or her designee to negotiate and execute agreements with the 1582 Medical Corporation, Fast Response On-Site Testing, and Carbon Health Medical Group of California, P.C. to provide employee health services to City employees with an initial five-year term beginning June 30, 2025 through June 30, 2030, with two one-year options to extend through June 30, 2032 for a maximum total compensation not to exceed \$2,241,496, \$1,212,600, and \$5,260,865 respectively, subject to annual appropriation of funds.

## **SUMMARY AND OUTCOME**

Authorizing the City Manager or her designee to negotiate and execute agreements with 1582 Medical Corporation, Fast Response On-Site Testing, and Carbon Health Medical Group of California, P.C. (hereinafter referred to as 1582 Medical, FROST, and Carbon Health) will replace the current employee health services (EHS) service model which outsources all occupational health and medical services to a single Third-Party Administrator. This approach will result in a more tailored and efficient delivery of EHS services, ensure that all regulatory requirements are satisfied, and employees receive the highest quality of care, and limit the operational impact to departments.

## **BACKGROUND**

Prior to Fiscal Year 2021-2022, the City operated an EHS clinic that provided occupational health and medical services to employees. This service model was a hybrid program, with certain services provided in-house and physician duties and overflow functions provided through an occupational health provider third-party

administrator. In June 2021, Human Resources Health and Safety Division staff recommended changing to a fully outsourced model where a third-party administrator would deliver all aspects of the City's EHS program. After conducting a Request for Proposal (RFP), Occupational Health Centers of California, DBA Concentra (Concentra) was selected to provide all aspects of health and medical services previously provided by the City's EHS clinic.

Since adopting this fully outsourced, single vendor model, the Human Resources Health and Safety Division has (1) monitored customer satisfaction by soliciting feedback from client departments and (2) reviewed common performance indicators to evaluate the vendor's ability to meet departments' unique operational needs related to after-hours, weekend, and holiday operations; their expertise in administering regulatory compliance testing for Public Safety personnel; and their bandwidth to accommodate mass, on-site testing requests related to seasonal hiring. While significant effort was expended to improve these specific aspects of the EHS program, the current vendor has been unable to accommodate the City's after-hours and onsite mass testing requests, citing logistical constraints.

In preparation for launching the current EHS services RFP, Human Resources Health and Safety Division staff met with stakeholder departments to identify program improvements that would result in City employees receiving the highest quality of care, in a manner that limited the impact to departmental and City operations. Departments with specific EHS needs emphasized their need for vendors capable of providing mobile services and vendors who can offer services aligned with departments' scheduling needs (e.g., after-hours or weekends).

Accordingly, the RFP was structured to allow vendors to bid on their specific area of expertise, rather than being required to bid on the entire scope of services in order to be considered. The goal of this approach is to partner with providers who specialize in specific occupational health services and can provide a tailored EHS program that meets each department's unique needs.

To enable vendors to bid on granular elements of the overall scope, Human Resources Health and Safety staff grouped medical services into "service packages," such as Firefighter annual physicals, Police and Fire Dispatcher physicals, and commercial driver physicals. During the evaluation of the overall EHS program, Human Resources staff met with department customers to identify opportunities to increase the efficiency in the delivery of applicable service packages. Through this process, Health and Safety staff identified three particular service packages with significant improvement opportunities. These procedures include annual Firefighter physicals, seasonal recreation leader tuberculosis testing, and annual hearing and respiratory protection testing.

An RFP for occupational health and medical services was released on December 20, 2024, with a due date of February 11, 2025. Pursuant to the RFP, the intent was for a

five-year agreement with two one-year options to extend annually through June 30, 2032, with the successful vendor(s). There were ten proposals submitted and evaluated from the following vendors.

- 1582 Medical Corporation
- ARC Point Labs
- Bay Sport Inc.
- Carbon Health Medical Group
- Fast Response Onsite Testing
- Kaiser Permanente
- Life Extension Clinics Inc.
- Occu-Med Ltd.
- Occupational Health Centers of California (Concentra)
- On Duty Health

Proposals were evaluated by a panel of City employees with subject matter expertise related to the EHS program and were rated on the following weighted criteria: proposal responsiveness (Pass/Fail), experience and qualifications of proposer (40%), customer satisfaction/firm reputation (15%), cost proposal (15%), oral interview/site visit (20%), local business enterprise (5%), and small business enterprise (5%).

In rating proposers related to experience, qualifications, and customer satisfaction, the panel considered factors such as: proposer's ability to provide services to meet the City's specifications (e.g., after-hours, onsite), proposer's agency and medical staff maintaining all required certifications including the Nationally Registered Certified Medical Examiners, and provider's expertise in delivering public safety physicals related to the California Police Officers Standards of Training and National Fire Prevention Association guidelines.

## **ANALYSIS**

After a thorough review of all aspects of each submission, 1582 Medical received the highest overall weighted score of the proposers who bid to provide onsite Firefighter physicals of 84. Related to bids to provide onsite hearing, respiratory protection, and tuberculosis (TB) testing, FROST received the highest overall weighted score of 88.3, and of the vendors who submitted bids to provide all other EHS services, Carbon Health received the highest overall weighted score of 83.3.

Specific testing elements for annual Firefighter physicals are based on the National Fire Prevention Association standard, section 1582. Each physical includes an extensive battery of tests intended to assess an individual's ability to safely perform their job functions. In addition to standard physical evaluation elements such as hearing, vision, and physical ability, National Fire Prevention Association section 1582 mandates

screening for mental health, sleep disturbance, and other health issues as medically indicated by the individual's unique demographics. Under the current model, Firefighters receive testing at a Concentra clinic. Tests are scheduled for individuals throughout the year, and physician follow-up is required with each Firefighter to discuss test results. Sending individual employees to a physical clinic often requires Firefighters to be held over after their shift as Concentra is only open between 8:00 a.m. and 5:00 p.m. Monday through Friday and does not offer onsite or group testing.

The 1582 Medical Corporation is a specialized medical provider with subject matter expertise in the delivery of Firefighter physicals. This company offers an onsite model that would accommodate testing for large groups of Firefighters. Testing meets regulatory requirements, medical best practices, and complies with the most current National Fire Prevention Association section 1582 standard. An onsite approach will limit the time Firefighters are required to be out of service, allow for more efficient scheduling and regulatory compliance tracking, and provide a higher quality of care.

Each year, the Parks, Recreation and Neighborhood Services (PRNS) Department hires and onboards several hundred Recreation Leaders to staff summer recreation programs. California Public Resources Code § 5163 requires that any person employed by the City in a position requiring contact with children or as a food concessionaire have a certificate on file confirming that the person has been examined and been found to be free of communicable TB within the last two years.

TB testing is currently conducted as a part of each candidate's onboarding. Each Recreation Leader candidate is required to schedule a TB test at a Concentra clinic and complete testing prior to starting. The approach presents logistical challenges for both City staff and Recreation Leader candidates. City staff are required to facilitate scheduling for every person, confirm the candidate attended their appointment, and ensure that the medical clearance has been received prior to making a final job offer. A unique logistical challenge for this group is related to transportation to appointments; because this position tends to attract younger applicants, many candidates rely on parents, family members, or public transportation to attend TB testing. This commonly results in missed appointments and an unnecessary hurdle for candidates. Additionally, because Concentra clinics are not open on weekends and onsite testing is not available, appointment times often conflict with the candidate's school and other schedules; nor does the current vendor offer mass testing at hiring events.

Fast Response On-Site Testing is a mobile vendor that submitted a proposal to provide TB testing at City locations. FROST has the capability to modify (and scale up) its staffing at the City's request and can accommodate mass testing. This approach will improve efficiency by allowing testing to be incorporated into hiring events and will eliminate the need for candidates to arrange transportation to multiple locations, incur travel costs, and perhaps miss time from school or work in the process. As such, this mobile service will promote equity for candidates of diverse socioeconomic backgrounds.

In addition to offering TB testing, FROST also specializes in hearing, spirometry, and respirator fit testing and can administer them on City sites. Conducting group testing at City sites will result in significant cost savings since staff will not spend time traveling to clinic locations.

Carbon Health is a nationwide occupational medical provider founded in 2015. Carbon Health has seven clinic locations in the immediate San José area, 22 locations throughout the greater Bay Area, and over 95 clinics nationwide. Its clinics are open seven days a week (unlike those of the City's current vendor), so FROST is uniquely positioned to improve a key aspect of the EHS program – namely, access to services over the weekend, which was an acute need that user departments of such services specifically identified ahead of the RFP. In addition to being open additional days, Carbon Health offers extended or modified hours and increased staffing at the City's request.

Other factors that contributed to Carbon Health's high score related to standardization of services across its nationwide clinics, meaning that City staff have access to an array of clinic sites across the Bay Area. Moreover, Carbon Health offers a customizable client portal as part of its standard service. Improved reporting and tracking were common requests voiced by user departments during the program evaluation process. Carbon Health's portal allows for customization to provide reporting to inform regulatory compliance tracking, reporting on ongoing medical testing, and unique report generation. Because Carbon Health offers all EHS services included in the RFP scope, they will also serve as a backup to 1582 Medical and FROST.

With regard to cost of services, Carbon Health's bid was actually 33% lower than the pricing submitted by the current vendor and 21% below the average cost provided by all vendors who submitted bids for the same services.

Therefore, staff recommends that the City Council authorize the City Manager or her designee to negotiate and execute agreements with 1582 Medical, FROST, and Carbon Health to provide all occupational health and medical services for the City of San José.

### **EVALUATION AND FOLLOW-UP**

No additional follow-up actions with the City Council are expected.

**COST SUMMARY/IMPLICATIONS**

Not-to-exceed compensation levels were calculated based on the respective service packages, estimated number of employees in specific classifications, regulatory required testing, and assumed maximum potential service levels. Actual costs will depend on the number of active employees, testing frequency, and evolving regulatory requirements.

Currently, active firefighters receive physical examinations biannually. However, to ensure compliance with the National Fire Prevention Association Standard, Section 1582, CCR Title 8, Section 5097 (Hearing Conservation Program) and Section 5144 (Respiratory Protection), cost estimates and not-to-exceed compensation levels for the 1582 Medical Corporation service package assume annual examination. This higher volume is anticipated to approximately double current costs for firefighter testing, for an estimated cost impact ranging from \$250,000 to \$300,000 annually, depending on utilization levels.

While the cost implications for other baseline service levels were factored into the development of the 2025-2026 Base Operating Budget, ongoing funding levels did not contemplate the higher testing volume for firefighters. Utilization of employee health services under this new contractual framework will be actively monitored upon implementation; recommendations to reallocate funding to accommodate the increased costs will be brought as part of a future budget process in 2025-2026, as necessary, based on the actual anticipated costs. Funding levels will also be reassessed against utilization to align ongoing requirements as part of the development of the 2026-2027 Base Operating Budget.

The tables below summarize total not-to-exceed compensation by fiscal year, as well as each vendor's initial term and the corresponding option years.

<b>Total Program Cost</b>	
<b>Fiscal Year</b>	<b>Total Compensation Not to Exceed Amount</b>
2025-2026	\$1,128,888
2026-2027	\$1,148,575
2027-2028	\$1,192,230
2028-2029	\$1,237,805
2029-2030	\$1,285,391
2030-2031 (option year 1)	\$1,335,084
2031-2032 (option year 2)	\$1,386,984
<b>Total 7-year Not to Exceed amount:</b>	<b>\$8,714,957</b>

The recommended agreement for 1582 Medical Corporation will approve an initial five-year term with two one-year option extensions, with the following total compensation not to exceed amounts.

<b>1582 Medical Corporation</b>	
<b>Fiscal Year</b>	<b>Total Compensation Not to Exceed Amount</b>
7/1/25 – 6/30/30 (Initial term)	\$3,572,224
7/1/30 – 6/30/31 (option year 1)	\$823,485
7/1/31 – 6/30/32 (option year 2)	\$865,154
<b>Total 7-year Not to Exceed amount:</b>	<b>\$5,260,865</b>

The recommended agreement for FROST will approve an initial five-year term with two one-year option extensions, with the following total compensation not to exceed amounts.

<b>Fast Response Onsite Testing (FROST)</b>	
<b>Fiscal Year</b>	<b>Total Compensation Not to Exceed Amount</b>
7/1/25 – 6/30/30 (Initial term)	\$849,802
7/1/30 – 6/30/31 (option year 1)	\$179,602
7/1/31 – 6/30/32 (option year 2)	\$183,194
<b>Total 7-year Not to Exceed amount:</b>	<b>\$1,212,600</b>

The recommended agreement for Carbon Health will approve an initial five-year term with two one-year option extensions, with the following total compensation not to exceed amounts:

<b>Carbon Health</b>	
<b>Fiscal Year</b>	<b>Total Compensation Not to Exceed Amount</b>
7/1/25 – 6/30/30 (Initial term)	\$1,570,863
7/1/30 – 6/30/31 (option year 1)	\$331,996
7/1/31 – 6/30/32 (option year 2)	\$338,635
<b>Total 7-year Not to Exceed amount:</b>	<b>\$2,241,496</b>

## **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the May 13, 2025 City Council meeting.

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.



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For questions, please contact Joseph Gregory, Workers' Compensation, Health and Safety Division Manager, Human Resources, [Joseph.Gregory@sanjoseca.gov](mailto:Joseph.Gregory@sanjoseca.gov) or (408) 975-1418.