



CITY OF CARSON

Legislation Text

File #: 2019-955, Version: 1

Report to Mayor and City Council

Tuesday, October 15, 2019

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT NO. 1 TO AGREEMENT FOR CONTRACT SERVICES BETWEEN THE CITY OF CARSON AND OCCUPATIONAL HEALTH CENTERS OF CALIFORNIA, FORMERLY U.S. HEALTHWORKS MEDICAL GROUP (CITY COUNCIL)

I. SUMMARY

The purpose of this item is to approve an assignment of a contract from the original consultant, U.S. HealthWorks Medical Group, to Occupational Health Centers of California ("OHCC").

The contract was originally approved in early 2017, and in early 2018, U.S. HealthWorks was acquired by a company called Concentra. The City was not formally notified of the acquisition until July of 2019, when Concentra sent the City a letter requesting City consent to assign the agreement to OHCC, a subsidiary or "managed professional entity" of Concentra.

The requested assignment requires City Council authorization. Approval of the proposed Amendment No. 1 would provide that authorization, effective retroactively as of February 1, 2019, which is the date when OHCC commenced performing the services under the agreement for invoicing purposes.

Approving the proposed Amendment No. 1 would allow continued performance of the services under the contract without interruption, and would ensure that the City has proper authorization to make payment to OHCC for services performed commencing as of February 1, 2019.

II. RECOMMENDATION

1. APPROVE Amendment No. 1 to Agreement for Contract Services by and between the City of Carson and Occupational Health Centers of California, a Medical Corporation,

formerly U.S. Healthworks Medical Group, Prof. Corp., a California Corporation (the "Agreement").

2. AUTHORIZE the Mayor to execute the Agreement following approval as to form by the City Attorney.

- 1.

III. ALTERNATIVES

1. DO NOT APPROVE the Agreement.
2. TAKE any other action the City Council deems appropriate, consistent with the requirements of law.

IV. BACKGROUND

The City entered into the Agreement with U.S. HealthWorks Medical Group on February 28, 2017, whereby U.S. HealthWorks agreed to provide certain medical services to the City in the areas of employment related drug testing, medical services and treatment of work-related injuries/illnesses for three (3) years for a Contract Sum of \$75,000, with the option to extend said term for two (2) additional one (1) year periods.

On February 1, 2018, U.S. HealthWorks was acquired by Concentra, and Concentra commenced the process of integrating all U.S. HealthWorks clinics into Concentra's network of occupational medicine and urgent care clinics.

The City was not notified of the acquisition until it received a letter from Concentra, dated July 29, 2019, seeking the City's consent to an assignment of the Agreement from U.S. HealthWorks to "Occupational Health Centers of California, a Medical Corporation," a "managed professional entity" of Concentra ("OHCC"), and stating that all services previously provided by U.S. HealthWorks under the Agreement would thereafter be performed by OHCC at facilities branded as Concentra Medical Centers.

Section 4.5 of the Agreement prohibits the consultant from assigning or transferring the Contract to any other entity to perform services under the Agreement without the prior written approval of the City. Transfers restricted by this provision include the transfer to any person(s) of more than 25% of the ownership of the consultant.

In this case, 100% of the ownership of U.S. HealthWorks was transferred via the

acquisition without the prior written approval of the City, a violation of Section 4.5. City was not notified of the transfer until almost a year and a half after the fact, and therefore did not give prior approval.

Notwithstanding the violation, if the Council wishes the performance of services under the Agreement to continue, a contract amendment is necessary to retroactively authorize the services to be performed by OHCC, and to ensure City staff has proper authorization to process invoices for payments to OHCC for services rendered. That is, absent an amendment, the City is only authorized under the original Agreement to make payments to U.S. Healthworks, but the City has been receiving invoices under the name of OHCC since February 1, 2019.

Based on the foregoing considerations, the proposed Amendment No. 1 would amend the Agreement to authorize its assignment from U.S. HealthWorks to OHCC, and to change the name of the consultant in the Agreement to OHCC, effective retroactively as of February 1, 2019.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. U.S. Healthworks Amendment No. 1 (pgs 4-9)
2. U.S. Healthworks Contract Agreement (pgs 10-39)

Prepared by: Faye Moseley, Director of Human Resources & Risk Management