



Memorandum

**TO: Board of Administration for the
Federated City Employees'
Retirement System (FCERS)**

FROM: Sandra Castellano

**SUBJECT: Fourth Amendment with ExamWorks
for Independent Medical
Examinations (IME)** **DATE: July 8, 2024**

Approved

Date

RECOMMENDATION

- Discussion and action on authorizing the CEO to negotiate and execute a fourth amendment to the agreement with ExamWorks, a provider of independent medical examinations (IME) and related services for disability retirement applications, to increase the not to exceed amount by \$135,000, from \$200,000 to \$335,000, through the end of the current term of the agreement on December 31, 2025. No budget action is required as funding is allocated in the 2024-2025 budget for this expense.

BACKGROUND

In accordance with San José Municipal Code (“SJMC”) § 3.28.1250(A) and the FCERS Disability Retirement Application Rules and Procedures, an Independent Medical Examination is conducted following the receipt of a disability retirement application to determine whether such member is disabled or incapacitated from the performance of duty and whether such disability or incapacity is service-connected or non-service connected.

The Office of Retirement Services (“ORS”) contracts with ExamWorks to perform the required Independent Medical Examinations and related disability application processing services. Below is the timeline of the current contract with ExamWorks:

- On February 18, 2016, the Board authorized the CEO to negotiate and execute a contract with ExamWorks, not to exceed \$100,000, for Independent Medical Examiner (IME) services.
- On January 21, 2021, the Board authorized the CEO to negotiate and execute a first amendment to the agreement to increase the not to exceed amount by \$100,000 for a total of \$200,000 and to extend the term of the Agreement through December 31, 2025.

- On June 16, 2022, the Board authorized the CEO to negotiate and execute a second amendment to the agreement with ExamWorks, an independent medical examiner (IME) for disability retirement applicant examinations, to amend the rates from a maximum of \$700 per hour to a maximum of \$850 per hour.
- On October 20, 2022, the Board authorized the CEO to negotiate and execute a third amendment to the Board’s contract with ExamWorks to include disability application processing services including medical records gathering and sorting, preparing line-item review and summary reports, and Independent Medical Examiner (“IME”) appointment scheduling and coordination.

ANALYSIS

In October 2022, the Board directed staff to amend the ExamWorks contract to include disability application processing services which were formerly performed by the Board Medical Advisor vendor. The new, streamlined disability application process has enabled staff to process a higher number of disability retirement applications than in prior years. In fiscal year 2023-2024, the FCERS Disability Retirement Committee heard 14 disability retirement applications, a significant increase from the prior year.

With the increased number of disability applications being processed, ExamWorks expenses are expected to reach the maximum allowed in the agreement as early as September 2024. To ensure that required IME and related disability retirement evaluation services continue without delay, staff recommends the not to exceed amount in the ExamWorks agreement be increased by \$135,000, from \$200,000 to \$335,000. This will provide funding to process about two (2) applications per month at a cost of about \$4,500 per application through December 31, 2025, the term of the contract.

Below is a summary of anticipated expenses through the term of the current contract:

Remaining Term of ExamWorks Contract (by Calendar Year)	Estimated Applications to be Processed (2 per month)	Estimated Average Expense Per Applicant	Estimated Cost
October 2024–December 2024	6	\$4,500	\$27,000
January 2025–December 2025	24	\$4,500	\$108,000
Total	30		\$135,000

With this additional funding, ORS anticipates processing up to 30 FCERS disability retirement applications by end of the term of the current contract in December 2025. At that time, ORS anticipates the “backlog” of pending and deferred Federated disability retirement applications will be under 25. It’s important to note that while there are currently 42 pending and deferred Federated disability retirement applications, ORS continues to receive new applications at a pace of about six to eight (6-8) per year. At the current processing rate of about 24 FCERS disability retirement applications per year, ORS anticipates eliminating the backlog by early 2027.

Given the requirement to conduct IME evaluations for disability retirement applications, staff recommends authorizing the CEO to negotiate and execute a fourth amendment to the contract between the Board of Administration for the Federated City Employees’ Retirement System and ExamWorks for independent medical examination services, increasing the not to exceed amount by \$135,000, from \$200,000 to \$335,000.

No budget action is required as funding is allocated in the 2024-2025 budget for this expense.

Sandra Castellano
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Benefits Division Manager